

SERFF Tracking Number: CELT-127073284 State: California
Filing Company: Celtic Insurance Company State Tracking Number: PF-2011-00514
Company Tracking Number: G5-555-00223 ET AL
TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005C Individual - Other
Product Name: Open Blocks - Celtic Basic, Celtic Preferred, HSA
Project Name/Number: /

Filing at a Glance

Company: Celtic Insurance Company
Product Name: Open Blocks - Celtic Basic, Celtic Preferred, HSA
TOI: H16I Individual Health - Major Medical
Sub-TOI: H16I.005C Individual - Other
Filing Type: Rate

SERFF Tr Num: CELT-127073284 State: California
SERFF Status: Assigned
Co Tr Num: G5-555-00223 ET AL
State Tr Num: PF-2011-00514
State Status:
Reviewer(s): Bruce Hinze, Angela Jang, Sai-on Sam, Ali Zaker-Shahrak, Wayne Thomas, Marina Zen, Karl Whitmarsh
Disposition Date:
Disposition Status:
Implementation Date:

Author: Daniel Martinez
Date Submitted: 03/11/2011

Implementation Date Requested: 04/01/2011

General Information

Project Name:
Project Number:
Requested Filing Mode: Informational
Explanation for Combination/Other:
Submission Type: Resubmission
Individual Market Type: Individual
Filing Status Changed: 03/11/2011
State Status Changed:
Created By: Daniel Martinez
Corresponding Filing Tracking Number: PF-2011-00176
PPACA: Non-Grandfathered Immed Mkt Reforms
PPACA Notes: null
Filing Description:
See Filing Requirements Attachment.

Status of Filing in Domicile:
Date Approved in Domicile:
Domicile Status Comments:
Market Type: Individual
Previous Filing Number: celt-127012372
Overall Rate Impact: 3%

Deemer Date:
Submitted By: Daniel Martinez

Company and Contact

Filing Contact Information

Daniel Martinez, Contract Analyst dmartinez@celtic-net.com

SERFF Tracking Number: CELT-127073284 State: California
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 TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005C Individual - Other
 Product Name: Open Blocks - Celtic Basic, Celtic Preferred, HSA
 Project Name/Number: /

233 S. Wacker Dr. Suite 700 312-332-8387 [Phone]
 Chicago, IL 60606-6393 312-441-0822 [FAX]

Filing Company Information

Celtic Insurance Company	CoCode: 80799	State of Domicile: Illinois
Sears Tower	Group Code:	Company Type: LAH
233 South Wacker Drive, Suite 700	Group Name:	State ID Number:
Chicago, IL 60606	FEIN Number: 06-0641618	
(312) 332-5401 ext. [Phone]		

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Celtic Insurance Company	\$0.00		

SERFF Tracking Number:	CELT-127073284	State:	California
Filing Company:	Celtic Insurance Company	State Tracking Number:	PF-2011-00514
Company Tracking Number:	G5-555-00223 ET AL		
TOI:	H161 Individual Health - Major Medical	Sub-TOI:	H161.005C Individual - Other
Product Name:	Open Blocks - Celtic Basic, Celtic Preferred, HSA		
Project Name/Number:	/		

Rate Information

Rate data applies to filing.

Filing Method:	SERFF
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	9.000%
Effective Date of Last Rate Revision:	01/01/2011
Filing Method of Last Filing:	N/A

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:		Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Celtic Insurance Company	Increase	3.000%	3.000%		\$13,486	265	\$449,530	3.000%	3.000%
Product Type:		HMO	PPO	EPO	POS	HSA	HDHP	FFS	Other
Covered Lives:		293				44			8
Policy Holders:		219				38			8

SERFF Tracking Number:	CELT-127073284	State:	California
Filing Company:	Celtic Insurance Company	State Tracking Number:	PF-2011-00514
Company Tracking Number:	G5-555-00223 ET AL		
TOI:	H16I Individual Health - Major Medical	Sub-TOI:	H16I.005C Individual - Other
Product Name:	Open Blocks - Celtic Basic, Celtic Preferred, HSA		
Project Name/Number:	/		

Rate Review Details

COMPANY:

Company Name:	Celtic Insurance Company
HHS Issuer Id:	23633
Product Names:	Celtic Basic, Celtic HSA, and CeltiCare Preferred
Trend Factors:	

FORMS:

New Policy Forms:	
Affected Forms:	
Other Affected Forms:	G5-544-00156, G5-555-00223, G5-543-00145

REQUESTED RATE CHANGE

INFORMATION:

Change Period:	Annual
Member Months:	2,192
Benefit Change:	None
Percent Change Requested:	Min: 3.0 Max: 3.0 Avg: 3.0

PRIOR RATE:

Total Earned Premium:	540,470.00
Total Incurred Claims:	271,032.00
Annual \$:	Min: 540,470.00 Max: 540,470.00 Avg: 540,470.00

REQUESTED RATE:

Projected Earned Premium:	556,601.00
Projected Incurred Claims:	351,635.00
Annual \$:	Min: 556,601.00 Max: 556,601.00 Avg: 556,601.00

<i>SERFF Tracking Number:</i>	<i>CELT-127073284</i>	<i>State:</i>	<i>California</i>
<i>Filing Company:</i>	<i>Celtic Insurance Company</i>	<i>State Tracking Number:</i>	<i>PF-2011-00514</i>
<i>Company Tracking Number:</i>	<i>G5-555-00223 ET AL</i>		
<i>TOI:</i>	<i>H16I Individual Health - Major Medical</i>	<i>Sub-TOI:</i>	<i>H16I.005C Individual - Other</i>
<i>Product Name:</i>	<i>Open Blocks - Celtic Basic, Celtic Preferred, HSA</i>		
<i>Project Name/Number:</i>	<i>/</i>		

Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: Filing Cover Sheet Comments: Attachment: CoverLetter.pdf		
Satisfied - Item: Actuarial Memorandum Comments: Attachments: Celtic Basic Actuarial Memorandum.pdf Celtic HSA Actuarial Memorandum.pdf CeltiCare Preferred Actuarial Memorandum.pdf FilingRequirements - OpenBlocks.pdf	Item Status:	Status Date:
Satisfied - Item: Document Submission Formset Comments: Attachment: DSF.pdf		
Satisfied - Item: Health Rate Supplemental Form Comments: Attachments: CA-PLAIN-LANGUAGE-openblks.pdf CA-RATE FILING FORM-openblocks.pdf	Item Status:	Status Date:

<i>SERFF Tracking Number:</i>	<i>CELT-127073284</i>	<i>State:</i>	<i>California</i>
<i>Filing Company:</i>	<i>Celtic Insurance Company</i>	<i>State Tracking Number:</i>	<i>PF-2011-00514</i>
<i>Company Tracking Number:</i>	<i>G5-555-00223 ET AL</i>		
<i>TOI:</i>	<i>H16I Individual Health - Major Medical</i>	<i>Sub-TOI:</i>	<i>H16I.005C Individual - Other</i>
<i>Product Name:</i>	<i>Open Blocks - Celtic Basic, Celtic Preferred, HSA</i>		
<i>Project Name/Number:</i>	<i>/</i>		

	Item Status:	Status Date:
Bypassed - Item:	Third Party Authorization	
Bypass Reason:	N/A	
Comments:		

	Item Status:	Status Date:
Satisfied - Item:	Independent Actuarial Certification	
Comments:		
Attachment:		
Transmittal - Open - 20110603.pdf		

CALIFORNIA DEPARTMENT OF INSURANCE

Reset Form

**FILING COVER SHEET
for
FORMS FILINGS with the POLICY APPROVAL BUREAU**

(Suggested for use as the cover letter required by Title 10, California Code of Regulations §2205.)

TO: State of California Department of Insurance Policy Approval Bureau 45 Fremont Street San Francisco, CA 94105	FROM: (Official Insurer Name): Celtic Insurance Company
	Submitter and Complete Mailing Address: Daniel Martinez 233 South Wacker Drive, Suite 700 Chicago, IL 60606
	Submission Date: 1/31/11

1. IDENTIFYING FORM NUMBER(S): G5-544-00156, G5-555-00223, G5-543-00145
[The form number(s) of one or more of the documents submitted by which the filing can be identified. §2205(a)]

2. DOCUMENT CLASS [The subdivision of 10 CCR §2202(a) which best describes the forms submitted. (§2205(b))]

Generic Description and Definition Citation	Check Below		Generic Description and Definition Citation	Check Below
Health Insurance [Hospital, medical, surgical insurance, expense-incurred or indemnity. §2202(a)(1)]	<input checked="" type="checkbox"/>		Credit Life and Disability [§2202(a)(6)]	
Group and Blanket Life and Non-health Disability [(§2202(a)(2))]			Supplemental Life Benefits [§2202(a)(7)]	
Individual Disability, Non-health [§2202(a)(3)]			Variable Life and Annuities [§2202(a)(8)]	
Medicare Supplement [§2202(a)(4)]			Fraternal [Non-health Disability. §2202(a)(9)]	
Long-Term Care [§2202(a)(5)]			Unclassified [§2202(a)(11)]	
* Describe briefly (documents other than those described above may have to be filed with other Department Bureaus; see §2206):				

3. GROUP AND/OR INDIVIDUAL [Are the forms group, individual or used in both contexts? §2205(b)]

Group Only:	<input checked="" type="checkbox"/>	Individual Only:	<input type="checkbox"/>	Group and Individual:	<input type="checkbox"/>
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4. EMPLOYER SIZE (Employer Health Insurance Only) [Where the forms submitted provide health coverage through employment, the minimum and the maximum sizes of the employers in terms of number of employees §2205(c)]

2 to 50 Employees:		Over 50 Employees:		All Employers:	
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5. REPLACES PREVIOUSLY-APPROVED DOCUMENT(S)? [Do any documents replace previously-approved documents. §2205(d)]

6. FINAL PRINT FORM? [List those documents NOT in the final printed form in which they will be issued to insureds §2205(e)]

<u>Document(s)</u>	<u>Document(s)</u>

7. TYPE OF DOCUMENT WITH WHICH IT WILL BE USED [For each document (such as a rider) which is designed to be used with another document not included in the filing, a statement of the document class with which it is to be used. §2205(f)]

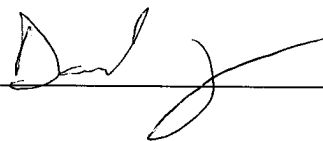
<u>Document Form Number</u>	<u>Document Class (from Item 2, above)</u>

8. Master Policy Form Number and Approval Date: _____
[Where a certificate is submitted for use with a previously approved “group” document, the form number and the filing or approval date of the previously approved group document. §2205(g)]

9. IF ABOVE INFORMATION CANNOT BE FURNISHED, EXPLAIN WHY. [If the submitter is unable to furnish the information requested above, explain why. §2205(h)]

10. REMARKS AND ADDITIONAL INFORMATION (Attach additional sheets if necessary):

SUBMITTER’S SIGNATURE AND TITLE: _____



Daniel Martinez Contract Analyst, Compliance

**Celtic Insurance Company
Actuarial Rate Memorandum
Form G5-544-00156
Celtic Basic 1.0/2.1 Health Plan**

CALIFORNIA

Scope and Purpose

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	3.0%

Description of Benefits

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provisions of this form are as follows:

Lifetime Maximum:	\$5,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)
Deductibles:	\$1,500; \$2,500; \$3,500; \$5,000; \$7,500; \$10,000
Coinsurance:	70/30 or 80/20 on first \$10,000 after deductible

Coverage Options

This product offers a choice of two Coverage Options differing in their coinsurance levels: 70/30 and 80/20.

The following option is also available with each Coverage Option:

- 1) Prescription Drug Card Option

Limitations and Exclusions

Limitations and Exclusions are detailed in the policy form.

Rate Guarantees

Rates are guaranteed not to change for the first twelve months of the policy.

Renewability

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

General Marketing Method

This product will be sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

Issue Age Limits

In order for an applicant to be considered for coverage, he or she must be at least 6 months old and under the age of 64 years and 6 months.

Applicability

The rates will apply to new business and subsequent renewal business.

Morbidity

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

Substandard Rate-Ups

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical Outside the Enrollment Periods:	rate-ups vary by condition and range from -10% to 400%
Occupation/Avocation:	rate-ups vary by occupation/avocation and range from 0% to 100%
Two-Adult Discount:	7% rate-down

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

Premium Modalization

Premiums may be paid in one of two ways: Monthly Electronic Funds Transfer (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Quarterly Billing. In addition, a one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

Claim Reserves

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

Claim Liability Reserve

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

Trend Assumption

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Buck Consultants' Trend Survey, Oliver Wyman's Carrier Trend Report and Milliman's Health Cost Index.

Experience History and Projections

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for all business and the experience for the statewide all business is presented in Exhibit Two. Experience of our Celtic Basic, CeltiCare Preferred, and HSA blocks of business is used.

Table One of Exhibit Three provides the actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

Proposed Rate Increase

Future proposed rate increases will be applied to new business effective on or after the respective effective dates. For in-force business, the rate revisions will be applied to the renewal premium at the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

Based on the projected experience of our Celtic Basic, CeltiCare Preferred, and HSA blocks of business shown in Exhibits One, Two, and Three, an increase of 3% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. These include restrictions on rescissions (**2.1%**), guaranteed issue (**3.0%**) and pre-existing conditions limitations on insureds under age 19 (**0.4%**), new claims appeal and review guidelines (**0.5%**), coverage of preventive services with no cost sharing (**5.0%**), extended coverage of dependents to age 26 (**0.5%**), no lifetime or annual maximums on essential health benefits (**0.5%**). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 12%. We have added 12% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future. As more provisions of Health Care Reform are finalized, Celtic may have to amend the proposed rate increases sooner.

Record of Rate Changes

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

Asset Share Assumptions

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	4.3%
2	4.1%
3	3.8%
4	3.5%
5+	3.0%

Discount Rate: 1/1.045

Gender Distribution: 50% Male, 50% Female

Asset Share Assumptions (Continued)

Duration Increases:

Policy Duration	Increase over
<u>in months</u>	<u>New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

Estimated Average Annual Premium Per Policy

The following is a comparison of estimated average annual premium per policy:

Celtic Basic 1.0/2.1

Date	Nationwide	California
Prior to 1/1/11	2,066	2,691
1/1/11 - 3/31/11	2,247	2,933
4/1/11 - 6/30/11	2,315	3,021
7/1/11 - 9/30/11	2,374	3,021
10/1/11 - 12/31/11	2,435	3,021

Future Anticipated Loss Ratio

All relevant factors were projected over a 10-year period using a theoretical initial block size of 10,000. The anticipated lifetime loss ratio for this product prior to Health Care Reform, is 70%.

Distribution of Business

The expected age distribution for this product is as follows:

<u>Age</u>	<u>Nation & California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	3%
20 - 24	12%
25 - 29	14%
30 - 34	14%
35 - 39	15%
40 - 44	15%
45 - 49	13%
50 - 54	3%
55 - 59	1%
60 - 64	1%

Contingency and Profit Margin


Celtic anticipates a pretax profit margin of 5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

Differences between CelticBasic 1.0 and Celtic Basic 2.1

The primary difference between CelticBasic 1.0 and 2.1 is an adjustment to the age slope of the base rates. The experience of our products was reviewed to determine the proper age slope and the CelticBasic 2.1 age slope was changed to more closely reflect the experience. In addition, underwriting standards for applicants age 50 and over will be relaxed.

Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.



Randall S. Jones, F.S.A., M.A.A.A.
Vice President, Actuary

2/22/11
Date

Celtic Insurance Company
Form G5-544-00156
California

Medical Base Rates				
Age	Celtic Basic 1.0		Celtic Basic 2.1	
	Male	Female	Male	Female
0	49.44	49.44	54.38	54.38
1	49.44	49.44	54.38	54.38
2	49.44	49.44	54.38	54.38
3	49.44	49.44	54.38	54.38
4	49.44	49.44	54.38	54.38
5	45.29	45.29	49.82	49.82
6	45.29	45.29	49.82	49.82
7	45.29	45.29	49.82	49.82
8	45.29	45.29	49.82	49.82
9	45.29	45.29	49.82	49.82
10	45.29	45.29	49.82	49.82
11	45.29	45.29	49.82	49.82
12	45.29	45.29	49.82	49.82
13	45.29	45.29	49.82	49.82
14	45.29	45.29	49.82	49.82
15	57.41	57.41	50.21	50.21
16	57.41	57.41	50.21	50.21
17	57.41	57.41	50.21	50.21
18	58.04	58.04	54.65	54.65
19	58.69	58.69	54.65	54.65
20	60.08	60.08	54.65	54.65
21	60.33	60.33	54.65	54.65
22	60.58	60.58	54.65	54.65
23	60.83	60.83	54.65	54.65
24	61.08	61.08	54.65	54.65
25	61.93	61.93	55.47	55.47
26	62.81	62.81	56.53	56.53
27	63.71	63.71	57.60	57.60
28	66.28	66.28	59.41	59.41
29	69.94	69.94	61.69	61.69
30	74.72	74.72	65.43	65.43
31	76.24	76.24	69.37	69.37
32	78.06	78.06	73.31	73.31
33	79.61	79.61	77.01	77.01
34	81.23	81.23	80.21	80.21
35	83.50	83.50	83.64	83.64
36	85.72	85.72	87.25	87.25
37	88.92	88.92	90.95	90.95
38	91.94	91.94	94.69	94.69
39	94.69	94.69	98.86	98.86
40	97.53	97.53	102.99	102.99
41	100.47	100.47	106.97	106.97
42	103.97	103.97	111.00	111.00
43	107.95	107.95	115.69	115.69
44	111.95	111.95	120.76	120.76
45	115.99	115.99	126.27	126.27
46	120.50	120.50	131.18	131.18
47	124.54	124.54	135.56	135.56
48	130.32	130.32	140.55	140.55
49	135.36	135.36	145.30	145.30
50	143.18	143.18	149.87	149.87
51	152.81	152.81	155.01	155.01
52	163.11	163.11	160.55	160.55
53	175.21	175.21	168.38	168.38
54	187.81	187.81	177.06	177.06
55	196.94	196.94	185.12	185.12
56	205.92	205.92	193.57	193.57
57	215.08	215.08	202.18	202.18
58	225.30	225.30	211.79	211.79
59	236.24	236.24	222.06	222.06
60	246.46	246.46	231.67	231.67
61	257.70	257.70	242.23	242.23
62	268.76	268.76	252.63	252.63
63	279.51	279.51	262.74	262.74
64	290.83	290.83	273.38	273.38
65 +	538.04	538.04	505.76	505.76
Dependent Child Rate				
Per Child; up to 3	34.89	34.89	38.38	38.38

Sub-Standard Rate Ups	
Non-Smoker / Smoker	-7% / +7%
Occupational	0% to 100%
Medical	-10% to 100%
Child Medical	-10% to 400%

Plan Factors			
Coinurance	Deductible	Stop Loss	CB 1.0/2.1
70/30	1,500	10,000	0.6700
70/30	2,500	10,000	0.5416
70/30	3,500	10,000	0.4894
70/30	5,000	10,000	0.4337
70/30	7,500	10,000	0.3706
70/30	10,000	10,000	0.3160
80/20	1,500	10,000	0.7320
80/20	2,500	10,000	0.6203
80/20	3,500	10,000	0.5546
80/20	5,000	10,000	0.4800
80/20	7,500	10,000	0.3995
80/20	10,000	10,000	0.3265

Product Type Factors	
Type	Factor
Fully Steered PPO	1.0000
Rx Drug Card Option	1.3316

Individual Discount Factor		
Coverage Option	Adult Factor	Child Factor
Primary	1.00	1.00
Primary+Spouse	0.93	1.00
Primary+Child(ren)	1.00	1.00
Family	0.93	1.00

Modal Factors	
Billing Mode	Factor
Monthly EFT	1.0
Quarterly Billing	3.0

Duration Factors	
Policy Months	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Other Fees	
Billing Fee	\$8.00 per bill
One-Time Application Fee	\$25.00

Note:

The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

Celtic Insurance Company
Form G5-544-00156
California

Rx Drug Card Option Base Rates				
Age	Celtic Basic 1.0		Celtic Basic 2.1	
	Male	Female	Male	Female
0	0.55	0.55	0.61	0.61
1	0.58	0.58	0.64	0.64
2	0.61	0.61	0.67	0.67
3	0.65	0.65	0.72	0.72
4	0.68	0.68	0.75	0.75
5	0.72	0.72	0.79	0.79
6	0.76	0.76	0.84	0.84
7	0.80	0.80	0.88	0.88
8	0.85	0.85	0.94	0.94
9	0.90	0.90	0.99	0.99
10	0.95	0.95	1.05	1.05
11	1.00	1.00	1.10	1.10
12	1.06	1.06	1.17	1.17
13	1.12	1.12	1.23	1.23
14	1.18	1.18	1.30	1.30
15	1.25	1.25	1.09	1.09
16	1.33	1.33	1.17	1.17
17	1.41	1.41	1.24	1.24
18	1.50	1.50	1.42	1.42
19	1.59	1.59	1.48	1.48
20	1.70	1.70	1.55	1.55
21	1.80	1.80	1.64	1.64
22	1.91	1.91	1.73	1.73
23	2.02	2.02	1.82	1.82
24	2.13	2.13	1.91	1.91
25	2.25	2.25	2.03	2.03
26	2.38	2.38	2.14	2.14
27	2.51	2.51	2.27	2.27
28	2.65	2.65	2.37	2.37
29	2.78	2.78	2.45	2.45
30	2.92	2.92	2.56	2.56
31	3.07	3.07	2.80	2.80
32	3.22	3.22	3.03	3.03
33	3.39	3.39	3.28	3.28
34	3.55	3.55	3.51	3.51
35	3.75	3.75	3.76	3.76
36	3.97	3.97	4.05	4.05
37	4.19	4.19	4.29	4.29
38	4.43	4.43	4.57	4.57
39	4.68	4.68	4.89	4.89
40	4.92	4.92	5.19	5.19
41	5.17	5.17	5.49	5.49
42	5.43	5.43	5.79	5.79
43	5.71	5.71	6.10	6.10
44	6.02	6.02	6.49	6.49
45	6.36	6.36	6.92	6.92
46	6.72	6.72	7.31	7.31
47	7.11	7.11	7.73	7.73
48	7.51	7.51	8.09	8.09
49	7.93	7.93	8.51	8.51
50	8.43	8.43	8.82	8.82
51	8.96	8.96	9.08	9.08
52	9.46	9.46	9.30	9.30
53	10.00	10.00	9.60	9.60
54	10.56	10.56	9.96	9.96
55	11.16	11.16	10.49	10.49
56	11.79	11.79	11.09	11.09
57	12.46	12.46	11.71	11.71
58	13.17	13.17	12.38	12.38
59	13.91	13.91	13.08	13.08
60	14.69	14.69	13.81	13.81
61	15.53	15.53	14.59	14.59
62	16.40	16.40	15.42	15.42
63	17.33	17.33	16.29	16.29
64	18.31	18.31	17.21	17.21
65 +	33.88	33.88	31.84	31.84
Dependent Child Rate				
Per Child; up to 3	2.57	2.57	2.83	2.83

For Each Covered Person:

Medical Premium=

(Medical Base Rate) x (1 + Smoker Factor)
x (Plan Factor) x (1 + Occupation Rate-Up)
x (1 + Medical Rate-Up) x (Product Type Factor)
x (Trend Factor*) x (Area Factor**)
x (Individual Discount Factor) x (Duration Factor)

Rx Card Option Premium=

(Plus Option Base Rate) x (1 + Occupation Rate-Up)
x (1 + Medical Rate-Up) x (Product Type Factor)
x (Trend Factor*) x (Area Factor**)
x (Individual Discount Factor) x (Duration Factor)

Total Rate per Person =

[Medical Premium + Rx Drug Card Option Premium]

Total Billed Rate = Σ (Total Rate per Covered Person) * Modal Factor
+ Billing Fee

* see attached Trend Factor page

** see attached Area Factor page

Sample Premium Calculation for:

Sample Case

Effective Date: 4/1/2011
Primary: Male, 33 years old, Smoker
Spouse: Female, 33 years old, Non-Smoker
Number of Children: 2
Plan: \$2,500 Deductible
80/20 Coinsurance
with Rx Card Option
Zip Code: 90001

Premium Calculation

Trend Factor: 2.731
Area Factor: 2.668
Product Type Factor: 1.000
Rx Card Type Factor: 1.3316
Plan Factor: 0.6203
Primary Smoker Rate-Up: 7%
Spouse Smoker Rate-Up: -7%
Med/Occupation Rate-Ups: 0 for the primary, spouse and children
Primary Discount Factor: 0.93
Spouse Discount Factor: 0.93
Children Discount Factor: 1.00

Primary Medical Premium = 77.01 x (1 + (0.07)) x 0.6203 x (1 + 0.0) x
(1 + 0.0) x 1 x 2.731 x 2.668 x 0.93 = \$ 346.00

Spouse Medical Premium = 77.01 x (1 + (-0.07)) x 0.6203 x (1 + 0.0) x
(1 + 0.0) x 1 x 2.731 x 2.668 x 0.93 = \$ 301.00

Children Medical Premium = (38.38 x 2) x 0.6203 x (1 + 0.0) x
(1 + 0.0) x 1 x 2.731 x 2.668 x 1 = \$ 347.00

Primary Rx Premium = 3.28 x (1 + 0.0) x (1 + 0.0) x 1.3316 x 2.731 x
2.668 x 0.93 = \$ 30.00

Spouse Rx Premium = 3.28 x (1 + 0.0) x (1 + 0.0) x 1.3316 x 2.731 x
2.668 x 0.93 = \$ 30.00

Children Rx Premium = (2.83 x 2) x (1 + 0.0) x (1 + 0.0) x 1.3316 x
2.731 x 2.668 x 1 = \$ 55.00

Total Premium = (346.00 + 301.00 + 347.00) + (30.00 + 30.00 + 55.00)
= \$1109.00

**Celtic Insurance Company
Form G5-544-00156**

California Area Factors

3-Digit ZIP Code	Celtic Basic 1.0		Celtic Basic 2.1	
	Fully Steered PPO	Plus Option	Fully Steered PPO	Plus Option
900	2.66800	2.66800	2.40100	2.40100
901	2.64100	2.64100	2.37700	2.37700
902	2.66800	2.66800	2.40100	2.40100
903	2.53100	2.53100	2.27800	2.27800
904	2.53100	2.53100	2.27800	2.27800
905	2.53100	2.53100	2.27800	2.27800
906	2.38000	2.38000	2.14200	2.14200
907	2.35300	2.35300	2.11800	2.11800
908	2.36500	2.36500	2.12900	2.12900
909	2.37700	2.37700	2.13900	2.13900
910	2.37700	2.37700	2.13900	2.13900
911	2.36500	2.36500	2.12900	2.12900
912	2.28200	2.28200	2.05400	2.05400
913	2.28200	2.28200	2.05400	2.05400
914	2.37700	2.37700	2.13900	2.13900
915	2.35300	2.35300	2.11800	2.11800
916	2.38000	2.38000	2.14200	2.14200
917	2.13600	2.13600	1.92200	1.92200
918	2.43600	2.43600	2.19200	2.19200
919	2.00100	2.00100	2.00100	2.00100
920	2.01400	2.01400	2.01400	2.01400
921	1.98300	1.98300	1.98300	1.98300
922	1.88700	1.88700	1.88700	1.88700
923	1.88700	1.88700	1.88700	1.88700
924	1.86900	1.86900	1.86900	1.86900
925	1.96200	1.96200	1.96200	1.96200
926	2.17900	2.17900	2.17900	2.17900
927	2.05100	2.05100	2.05100	2.05100
928	2.05100	2.05100	2.05100	2.05100
929	2.17900	2.17900	2.17900	2.17900
930	1.84600	1.84600	1.84600	1.84600
931	1.96800	1.96800	1.96800	1.96800
932	1.55100	1.55100	1.55100	1.55100
933	1.55100	1.55100	1.55100	1.55100
934	1.98300	1.98300	1.98300	1.98300
935	1.55100	1.55100	1.55100	1.55100
936	1.43600	1.43600	1.43600	1.43600
937	1.43600	1.43600	1.43600	1.43600
938	1.43600	1.43600	1.43600	1.43600
939	1.85000	1.85000	1.85000	1.85000
940	2.04600	2.04600	2.04600	2.04600
941	2.36200	2.36200	2.36200	2.36200
942	2.17300	2.17300	2.17300	2.17300
943	2.17300	2.17300	2.17300	2.17300
944	1.96800	1.96800	1.96800	1.96800
945	2.17300	2.17300	2.17300	2.17300
946	2.38200	2.38200	2.38200	2.38200
947	2.39700	2.39700	2.39700	2.39700
948	2.07800	2.07800	2.07800	2.07800
949	2.17300	2.17300	2.17300	2.17300
950	1.96800	1.96800	1.96800	1.96800
951	1.94000	1.94000	1.94000	1.94000

Celtic Insurance Company
Form G5-544-00156
California

Trend Factors for Celtic Basic

<u>Date of</u>	<u>Statewide</u>	<u>Statewide</u>	<u>Nationwide</u>	<u>Nationwide</u>
<u>Increase</u>	<u>Rate Increase</u>	<u>Cum. Factor</u>	<u>Rate Increase</u>	<u>Cum. Factor</u>
4/1/05	Initial	1.3156	Initial	1.3156
7/1/05	4.5%	1.3748	4.5%	1.3748
10/1/05	-	1.3748	-	1.3748
11/1/05	-	1.3748	-	1.3748
1/1/06	-	1.3748	-	1.3748
2/1/06	-	1.3748	-	1.3748
4/1/06	3.0%	1.4160	3.0%	1.4160
7/1/06	3.0%	1.4585	3.0%	1.4585
10/1/06	3.0%	1.5023	3.0%	1.5023
1/1/07	3.0%	1.5474	3.0%	1.5474
4/1/07	3.0%	1.5938	3.0%	1.5938
7/1/07	3.0%	1.6416	3.0%	1.6416
10/1/07	3.0%	1.6908	3.0%	1.6908
1/1/08	-	1.6908	-	1.6908
4/1/08	3.0%	1.7416	3.0%	1.7416
7/1/08	3.0%	1.7938	3.0%	1.7938
10/1/08	5.0%	1.8835	5.0%	1.8835
1/1/09	3.0%	1.9400	3.0%	1.9400
4/1/09	3.0%	1.9982	3.0%	1.9982
7/1/09	3.0%	2.0581	3.0%	2.0581
10/1/09	3.0%	2.1199	3.0%	2.1199
1/1/10	3.0%	2.1835	3.0%	2.1835
4/1/10	4.0%	2.2708	4.0%	2.2708
7/1/10	4.0%	2.3617	4.0%	2.3617
10/1/10	3.0%	2.4325	3.0%	2.4325
1/1/11	9.0%	2.6514	9.0%	2.6514
4/1/11	3.0%	2.7310	3.0%	2.7310
7/1/11	-	2.7310	3.0%	2.8129
10/1/11	-	2.7310	3.0%	2.8973

Trend Factors for Celtic Basic 2.1

<u>Date of</u>	<u>Statewide</u>	<u>Statewide</u>	<u>Nationwide</u>	<u>Nationwide</u>
<u>Increase</u>	<u>Rate Increase</u>	<u>Cum. Factor</u>	<u>Rate Increase</u>	<u>Cum. Factor</u>
4/1/08	Initial	1.7415	Initial	1.7415
7/1/08	3.0%	1.7938	3.0%	1.7938
10/1/08	2.5%	1.8386	2.5%	1.8386
1/1/09	2.0%	1.8754	2.0%	1.8754
4/1/09	3.0%	1.9316	3.0%	1.9316
7/1/09	4.0%	2.0089	4.0%	2.0089
10/1/09	-	2.0089	-	2.0089
1/1/10	-	2.0089	-	2.0089
4/1/10	2.0%	2.0491	2.0%	2.0491
7/1/10	4.0%	2.1311	4.0%	2.1311
10/1/10	3.0%	2.1950	3.0%	2.1950
1/1/11	9.0%	2.3925	9.0%	2.3925
4/1/11	3.0%	2.4643	3.0%	2.4643
7/1/11	-	2.4643	3.0%	2.5382
10/1/11	-	2.4643	3.0%	2.6144

Exhibit One

Celtic Insurance Company Form G5-544-00156 Celtic Basic 1.0/2.1 Health Plan

Nationwide Experience Analysis

Current Nationwide all Open Blocks Combined Inforce (12/2010): 22,819

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	5,256	775,211	976,366	125.9%	40.0%
2006	36,124	5,547,507	2,362,666	42.6%	48.0%
2007	64,332	10,716,438	5,669,298	52.9%	53.4%
2008	93,060	16,108,099	8,220,276	51.0%	54.4%
2009	163,299	29,387,512	15,351,773	52.2%	55.1%
2010	154,386	29,787,570	17,306,531	58.1%	56.6%
Total	516,457	92,322,338	49,886,910	54.0%	54.7%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	38,024,716	22,442,551	59.0%	66.1%
201009 - 201003	Projected	45,130,437	29,371,718	65.1%	66.2%

Assumptions:

Annual Claim Cost Trend: 11.5%
Annual Discount Rate: 6.0%
Valuation Date: 12/31/2010
Proposed Nationwide Rate Increase:

April 1, 2011: 3.0%
July 1, 2011: 3.0%
October 1, 2011: 3.0%
Health Care Reform Impact on Claims: 12.0%

NOTES:

- Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- 2010 Actual entries include 9 months of actual experience.

Exhibit Two
Celtic Insurance Company
Form G5-544-00156
Celtic Basic 1.0/2.1 Health Plan
California Experience Analysis

Current California All Open Blocks Combined Inforce (12/2010):

265

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	29	2,688	-	-	42.4%
2006	343	44,967	3,908	8.7%	54.1%
2007	733	105,782	50,530	47.8%	61.4%
2008	1,075	171,735	102,996	60.0%	61.8%
2009	1,714	314,303	156,585	49.8%	61.2%
2010	1,697	338,489	132,700	39.2%	64.0%
	5,589	977,964	446,719	45.7%	61.9%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	449,530	201,378	44.8%	64.2%
201009 - 201003	Projected	537,720	263,755	49.1%	64.3%

Assumptions:

Annual Claim Cost Trend:	11.5%
Annual Discount Rate:	6.0%
Valuation Date:	12/31/2010
Proposed California Rate Increase:	
April 1, 2011:	3.0%
July 1, 2011:	0.0%
October 1, 2011:	0.0%
Health Care Reform Impact on Claims:	12.0%

NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

Exhibit Three

Celtic Insurance Company
Form G5-544-00156
Celtic Basic 1.0/2.1 Health Plan
California Experience Analysis

Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor

	(A)	(B)	(C)	min[1,(B)/(C)]
	All Open Blocks Inforce (12/2010)	All Open Blocks EP (200910-201009)	Credibility Threshold	Credibility Factor*
California	265	449,530	3,000,000	15%
Nationwide	22,819	38,024,510		

* adjustment calculation for credibility factor is explained below.

Table Two: Future Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	50.1%	51.5%	52.9%	54.3%	52.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.780	0.801	0.822	0.845	0.812

Table Three: Future Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	48.7%	50.0%	51.4%	52.7%	50.7%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.757	0.778	0.799	0.820	0.788

Table Four: Future Credible Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	62.5%	64.2%	65.9%	67.7%	65.1%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.972	0.998	1.025	1.053	1.012

* adjustment calculation for credibility factor is explained below.

Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	60.7%	62.3%	64.0%	65.7%	63.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.944	0.969	0.995	1.022	0.982

* adjustment calculation for credibility factor is explained below.

Assumptions:

See assumptions in Exhibit Two.

Credibility Adjusted Benefit Calculation

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits = $Z * Ca + (1 - Z) * (Na / Ne) / (Sa / Se) * Ca$

Celtic Insurance Company
Actuarial Rate Memorandum
Policy Form: G5-543-00145, Rider Form: G5-592-00192-CA (HSA. 2.0/2.1)
Policy Form: G5-555-00223, Rider Form: G5-598-00226-CA (HSA 3.0)
High Deductible Health Plans
CALIFORNIA

Scope and Purpose

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	3.0%

Description of Benefits

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum: \$7,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)

	<u>Deductible</u>	<u>Co-Insurance</u>
Individual:	\$1,500	80/20 on first \$18,000 after deductible or 100/0
	\$2,600	80/20 on first \$12,500 after deductible or 100/0
	\$5,000	100/0 after deductible
Family:	\$3,000	80/20 on first \$36,000 after deductible or 100/0
	\$5,150	80/20 on first \$25,000 after deductible or 100/0
	\$10,000	100/0 after deductible

Coverage Options

The following options are also available with each Coverage Option:

- 1) Fully steered PPO Option
- 2) 1st Dollar Preventive Option (HSA 3.0 Only)

Limitations and Exclusions

Limitations and Exclusions are detailed in the policy form.

Rate Guarantees

Rates are guaranteed not to change for the first twelve months of the policy.

Renewability

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

General Marketing Method

This product will be sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

Issue Age Limits

In order for an applicant to be considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

Applicability

The rates will apply to new business and subsequent renewal business.

Morbidity

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

Substandard Rate-Ups

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical:	rate-ups vary by condition and range from -10% to 400%
Occupation/Avocation:	rate-ups vary by occupation/avocation and range from 0% to 100%
Family Discount:	7% rate-down

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

Premium Modalization

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 (for HSA 2.0/2.1) and \$10 (for HSA 3.0) per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

Claim Reserves

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

Claim Liability Reserve

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

Trend Assumption

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Buck Consultants' Trend Survey, Oliver Wyman's Carrier Trend Report and Milliman's Health Cost Index.

Experience History and Projections

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for all business and the experience for the statewide all business is presented in Exhibit Two. Experience of our Celtic Basic, CeltiCare Preferred, and HSA blocks of business is used.

Table One of Exhibit Three provides the actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

Proposed Rate Increase

Future proposed rate increases will be applied to new business effective on or after the respective effective dates. For in-force business, the rate revisions will be applied to the renewal premium at the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

Based on the projected experience of our Celtic Basic, CeltiCare Preferred, and HSA blocks of business shown in Exhibits One, Two, and Three, an increase of 3% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. These include restrictions on rescissions (2.1%), guaranteed issue (3.0%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (5.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 12%. We have added 12% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future. As more provisions of Health Care Reform are finalized, Celtic may have to amend the proposed rate increases sooner.

Record of Rate Changes

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

Asset Share Assumptions

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	3.7%
2	3.2%
3	3.2%
4	3.2%
5+	2.5%

Discount Rate: 1/1.045

Gender Distribution: 50% Male, 50% Female

Asset Share Assumptions (Continued)

Durational Increases:

<u>Policy Duration</u> <u>in months</u>	<u>Increase over</u> <u>New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

Estimated Average Annual Premium Per Policy

The following is a comparison of estimated average annual premium per policy:

HSA 2.0/2.1/3.0

<u>Date</u>	<u>Nationwide</u>	<u>California</u>
Prior to 1/1/11	2,365	1,984
1/1/11 - 3/31/11	2,574	2,163
4/1/11 - 6/30/11	2,655	2,228
7/1/11 - 9/30/11	2,722	2,228
10/1/11 - 12/31/11	2,789	2,228

Future Anticipated Loss Ratio

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1,000. The anticipated lifetime loss ratio for this product prior to Health Care Reform is 70%.

Distribution of Business

The expected age distribution for this product is as follows:

<u>Age</u>	<u>Nation & California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	4%
20 - 24	17%
25 - 29	17%
30 - 34	13%
35 - 39	12%
40 - 44	12%
45 - 49	10%
50 - 54	4%
55 - 59	1%
60 - 64	1%

Contingency and Profit Margin

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.



Randall S. Jones, F.S.A., M.A.A.A.
Vice President and Actuary

2/22/11

Date

Celtic Insurance Company
High Deductible Health Plans
 Policy Form: G5-543-00145, Rider Form: G5-592-00192-CA (HSA. 2.0/2.1) and Policy Form: G5-555-00223, Rider Form: G5-598-00226-CA (HSA 3.0)
 California

Medical Unisex Base Rates

Age	HSA 2.0	HSA 2.1	HSA 3.0
0	68.39	60.85	60.85
1	68.39	60.88	60.88
2	68.39	60.94	60.94
3	68.39	60.98	60.98
4	68.39	61.04	61.04
5	61.84	56.05	56.05
6	61.84	56.11	56.11
7	61.84	56.17	56.17
8	61.84	56.24	56.24
9	61.84	56.30	56.30
10	61.84	56.38	56.38
11	61.84	56.46	56.46
12	61.84	56.55	56.55
13	61.84	56.63	56.63
14	61.84	56.72	56.72
15	78.63	57.26	57.26
16	78.63	57.35	57.35
17	78.63	57.45	57.45
18	78.97	62.23	62.23
19	79.83	62.33	62.33
20	81.70	62.40	62.40
21	82.03	62.53	62.53
22	82.37	62.65	62.65
23	82.71	62.78	62.78
24	83.05	62.90	62.90
25	84.20	63.97	63.97
26	85.38	65.29	65.29
27	86.58	66.67	66.67
28	90.05	68.78	68.78
29	95.08	71.42	71.42
30	101.56	75.70	75.70
31	103.65	80.39	80.39
32	106.13	85.06	85.06
33	108.27	89.49	89.49
34	110.51	93.35	93.35
35	113.58	97.49	97.49
36	116.58	101.86	101.86
37	120.90	106.30	106.30
38	124.99	110.81	110.81
39	128.71	115.87	115.87
40	132.57	120.86	120.86
41	136.37	125.69	125.69
42	141.35	130.55	130.55
43	146.75	136.18	136.18
44	152.15	142.34	142.34
45	157.61	149.04	149.04
46	163.69	155.02	155.02
47	169.15	160.47	160.47
48	176.95	166.49	166.49
49	183.76	172.36	172.36
50	194.26	177.85	177.85
51	207.19	183.91	183.91
52	221.09	190.39	190.39
53	237.38	199.48	199.48
54	254.36	209.60	209.60
55	266.67	219.30	219.30
56	278.77	229.49	229.49
57	291.13	239.92	239.92
58	304.89	251.50	251.50
59	319.63	263.89	263.89
60	333.40	275.58	275.58
61	348.56	288.42	288.42
62	363.46	301.13	301.13
63	377.95	313.59	313.59
64	393.20	326.72	326.72
65 +	727.42	604.42	604.42

Dependent Child Rate

Per Child; up to 3			
	46.66	43.20	43.20

High Deductible Health Plan 2.0/2.1/3.0 Factors

Indiv./Family	Deductible	Coinsurance	Stop Loss	HSA 2.0	HSA 2.1	HSA 3.0
Individual	1,500	80/20	18,000	0.6721	0.6721	0.6721
		100/0	N/A	0.8938	0.9385	0.9385
	2,600	80/20	12,500	0.5441	0.5441	0.5441
		100/0	N/A	0.7228	0.7589	0.7589
Family	5,000	100/0	N/A	0.4994	0.5244	0.5244
		80/20	36,000	0.6721	0.6721	0.6721
	3,000	100/0	N/A	0.8938	0.9385	0.9385
		80/20	25,000	0.5441	0.5441	0.5441
	5,150	100/0	N/A	0.7228	0.7589	0.7589
	10,000	100/0	N/A	0.4994	0.5244	0.5244

Sub-Standard Rate-Ups

Non-Smoker / Smoker	-7% / 7%
Occupational	0% to 100%
Medical	-10% to 100%
Child Medical	-10% to 400%

Product Type Factors

Type	HSA 2.0	HSA 2.1	HSA 3.0
Indemnity	1.3898	1.4000	1.4000
Fully Steered PPO	1.0000	1.0000	1.0000
Preventive Option			1.3316

Modal Factors

Billing Mode	Factor
Monthly	1.0
Quarterly	3.0

Duration Factors

Policy Month	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Family Discount Factor

Ind./Family	Discount Factor
Individual Policy	1.0000
Family Policy	0.9300

Other Fees

Fee Type	Fee
Billing Fees (HSA 2.0/2.1; HSA 3.0)	\$8.00; \$10 per bill
HSA Maintenance Fee	None
One-time Application Fee	\$25.00

$$\text{Medical Premium} = (\text{Medical Base Rate}) \times (\text{Plan Factor}) \\ \times (1 + \text{Smoker Factor}) \times (1 + \text{Occup. Rate-Up}) \\ \times (1 + \text{Med. Rate-Up}) \times (\text{Product Type Factor}) \\ \times (\text{Trend Factor}^*) \times (\text{Area Factor}^{**}) \\ \times (\text{Family Discount Factor}) \times (\text{Duration Factor})$$

$$\text{Preventive Opt Premium} = (\text{Preventive Option Base Rate}) \\ \times (1 + \text{Occup. Rate-Up}) \times (1 + \text{Med. Rate-Up}) \\ \times (\text{Product Type Factor}) \times (\text{Trend Factor}^*) \times (\text{Area Factor}^{**}) \\ \times (\text{Family Discount Factor}) \times (\text{Duration Factor})$$

*see attached Trend Factor sheet

**see attached Area Factor sheet

$$\text{Total Premium} = [\text{Medical Premium} + \text{Preventive Opt Premium} + \text{HSA Maintenance Fee}] \\ \times \text{Modal Factor} + \text{Billing Fee}$$

Preventive Option Base Rates

Age	HSA 3.0
0	6.43
1	5.87
2	5.91
3	5.55
4	5.66
5	5.31
6	2.64
7	2.49
8	2.34
9	2.06
10	2.21
11	2.19
12	2.32
13	2.34
14	2.59
15	2.22
16	2.36
17	2.14
18	2.22
19	2.00
20	2.47
21	2.62
22	2.61
23	2.62
24	2.55
25	2.67
26	2.73
27	2.78
28	2.79
29	2.77
30	2.78
31	2.92
32	3.04
33	3.22
34	3.37
35	3.34
36	3.44
37	3.50
38	3.57
39	3.67
40	3.73
41	3.79
42	3.82
43	3.97
44	3.94
45	4.02
46	4.08
47	4.12
48	4.13
49	4.17
50	4.13
51	4.07
52	4.00
53	3.95
54	3.92
55	3.95
56	3.99
57	4.03
58	4.08
59	4.12
60	4.17
61	4.21
62	4.25
63	4.29
64	4.34
65 + (Prim.)	8.03

Dependent Child Rate

Per Child; up to 3	
	4.34

Note: The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

**Celtic Insurance Company
High Deductible Health Plans**

Policy Form: G5-543-00145, Rider Form: G5-592-00192-CA (HSA. 2.0/2.1)

**Policy Form: G5-555-00223, Rider Form: G5-598-00226-CA (HSA 3.0)
California**

High Deductible 2.0

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
10/1/05	-	1.0000	Initial	1.2041
11/1/05	-	1.0000	-	1.2041
1/1/06	-	1.0000	-	1.2041
2/1/06	-	1.0000	-	1.2041
3/1/06	Initial	1.2041	-	1.2041
4/1/06	3.5%	1.2463	3.5%	1.2463
7/1/06	3.5%	1.2899	3.5%	1.2899
10/1/06	3.5%	1.3350	3.5%	1.3350
1/1/07	-	1.3350	-	1.3350
4/1/07	3.0%	1.3751	3.0%	1.3751
7/1/07	-	1.3751	-	1.3751
10/1/07	-	1.3751	-	1.3751
1/1/08	-	1.3751	-	1.3751
4/1/08	-	1.3751	-	1.3751
7/1/08	-	1.3751	-	1.3751
10/1/08	-	1.3751	-	1.3751
1/1/09	-	1.3751	-	1.3751
4/1/09	-	1.3751	-	1.3751
7/1/09	3.0%	1.4163	3.0%	1.4163
10/1/09	3.0%	1.4588	3.0%	1.4588
1/1/10	3.0%	1.5026	3.0%	1.5026
4/1/10	4.0%	1.5627	4.0%	1.5627
7/1/10	6.0%	1.6565	6.0%	1.6565
10/1/10	5.0%	1.7393	5.0%	1.7393
1/1/11	9.0%	1.8958	9.0%	1.8958
4/1/11	3.0%	1.9527	3.0%	1.9527
7/1/11	-	1.9527	3.0%	2.0113
10/1/11	-	1.9527	3.0%	2.0716

**Celtic Insurance Company
High Deductible Health Plans**

Policy Form: G5-543-00145, Rider Form: G5-592-00192-CA (HSA. 2.0/2.1)

**Policy Form: G5-555-00223, Rider Form: G5-598-00226-CA (HSA 3.0)
California**

High Deductible 2.1

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
4/1/08	Initial	1.4163	Initial	1.4163
7/1/08	2.5%	1.4518	2.5%	1.4518
10/1/08	2.5%	1.4880	2.5%	1.4880
1/1/09	2.0%	1.5178	2.0%	1.5178
4/1/09	3.0%	1.5633	3.0%	1.5633
7/1/09	3.0%	1.6102	3.0%	1.6102
10/1/09	3.0%	1.6585	3.0%	1.6585
1/1/10	3.0%	1.7083	3.0%	1.7083
4/1/10	4.0%	1.7766	4.0%	1.7766
7/1/10	6.0%	1.8832	6.0%	1.8832
10/1/10	5.0%	1.9774	5.0%	1.9774
1/1/11	9.0%	2.1554	9.0%	2.1554
4/1/11	3.0%	2.2200	3.0%	2.2200
7/1/11	-	2.2200	3.0%	2.2866
10/1/11	-	2.2200	3.0%	2.3552

**Celtic Insurance Company
High Deductible Health Plans**

Policy Form: G5-543-00145, Rider Form: G5-592-00192-CA (HSA. 2.0/2.1)

Policy Form: G5-555-00223, Rider Form: G5-598-00226-CA (HSA 3.0)
California

High Deductible 3.0

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
4/1/08	Initial	1.4163	Initial	1.4163
7/1/08	2.5%	1.4518	2.5%	1.4518
10/1/08	2.5%	1.4880	2.5%	1.4880
1/1/09	2.0%	1.5178	2.0%	1.5178
4/1/09	3.0%	1.5633	3.0%	1.5633
7/1/09	4.0%	1.6259	4.0%	1.6259
10/1/09	-	1.6259	-	1.6259
1/1/10	-	1.6259	-	1.6259
4/1/10	2.0%	1.6584	2.0%	1.6584
7/1/10	3.0%	1.7081	3.0%	1.7081
10/1/10	3.0%	1.7594	3.0%	1.7594
1/1/11	9.0%	1.9177	9.0%	1.9177
4/1/11	3.0%	1.9753	3.0%	1.9753
7/1/11	-	1.9753	3.0%	2.0345
10/1/11	-	1.9753	3.0%	2.0956

Exhibit One

Celtic Insurance Company Forms G5-543-00145 (HSA 2.0/2.1) and G5-555-00223 (HSA 3.0) HSA 2.0/2.1/3.0 Health Plan

Nationwide Experience Analysis

Current Nationwide all Open Blocks Combined Inforce (12/2010): 22,819

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	5,256	775,211	976,366	125.9%	40.0%
2006	36,124	5,547,507	2,362,666	42.6%	48.0%
2007	64,332	10,716,438	5,669,298	52.9%	53.4%
2008	93,060	16,108,099	8,220,276	51.0%	54.4%
2009	163,299	29,387,512	15,351,773	52.2%	55.1%
2010	154,386	29,787,570	17,306,531	58.1%	56.6%
Total	516,457	92,322,338	49,886,910	54.0%	54.7%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	38,024,716	22,442,551	59.0%	66.1%
201009 - 201003	Projected	45,130,437	29,371,718	65.1%	66.2%

Assumptions:

Annual Claim Cost Trend:	11.5%
Annual Discount Rate:	6.0%
Valuation Date:	12/31/2010
Proposed Nationwide Rate Increase:	
April 1, 2011:	3.0%
July 1, 2011:	3.0%
October 1, 2011:	3.0%
Health Care Reform Impact on Claims:	12.0%

NOTES:

- Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- 2010 Actual entries include 9 months of actual experience.

Exhibit Two

Celtic Insurance Company Forms G5-543-00145 (HSA 2.0/2.1) and G5-555-00223 (HSA 3.0) HSA 2.0/2.1/3.0 Health Plan

California Experience Analysis

Current California All Open Blocks Combined Inforce (12/2010):

265

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	29	2,688	-	-	42.4%
2006	343	44,967	3,908	8.7%	54.1%
2007	733	105,782	50,530	47.8%	61.4%
2008	1,075	171,735	102,996	60.0%	61.8%
2009	1,714	314,303	156,585	49.8%	61.2%
2010	1,697	338,489	132,700	39.2%	64.0%
	5,589	977,964	446,719	45.7%	61.9%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	449,530	201,378	44.8%	64.2%
201009 - 201003	Projected	537,720	263,755	49.1%	64.3%

Assumptions:

Annual Claim Cost Trend:	11.5%
Annual Discount Rate:	6.0%
Valuation Date:	12/31/2010
Proposed California Rate Increase:	
April 1, 2011:	3.0%
July 1, 2011:	0.0%
October 1, 2011:	0.0%
Health Care Reform Impact on Claims:	12.0%

NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

Exhibit Three

Celtic Insurance Company Forms G5-543-00145 (HSA 2.0/2.1) and G5-555-00223 (HSA 3.0) HSA 2.0/2.1/3.0 Health Plan

California Experience Analysis

Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor

	(A)	(B)	(C)	min[1,(B)/(C)]
	All Open Blocks Inforce (12/2010)	All Open Blocks EP (200910-201009)	Credibility Threshold	Credibility Factor*
California	265	449,530	3,000,000	15%
Nationwide	22,819	38,024,510		

* adjustment calculation for credibility factor is explained below.

Table Two: Future Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	50.1%	51.5%	52.9%	54.3%	52.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.780	0.801	0.822	0.845	0.812

Table Three: Future Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	48.7%	50.0%	51.4%	52.7%	50.7%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.757	0.778	0.799	0.820	0.788

Table Four: Future Credible Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	62.5%	64.2%	65.9%	67.7%	65.1%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.972	0.998	1.025	1.053	1.012

* adjustment calculation for credibility factor is explained below.

Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	60.7%	62.3%	64.0%	65.7%	63.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.944	0.969	0.995	1.022	0.982

* adjustment calculation for credibility factor is explained below.

Assumptions:

See assumptions in Exhibit Two.

Credibility Adjusted Benefit Calculation

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits = $Z \cdot Ca + (1-Z) \cdot (Na/Ne) / (Sa/Se) \cdot Ca$

**Celtic Insurance Company
Actuarial Rate Memorandum
Form G5-555-00223
CeltiCare Preferred 5.0 Health Plans
CALIFORNIA**

Scope and Purpose

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	3.0%

Description of Benefits

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum: \$7,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)

<u>Coinsurance</u>	<u>Deductible</u>
80/20	\$500; \$1,000; \$1,500; \$2,500; \$5,000; \$10,000
100/0	\$1,000; \$1,500; \$2,500; \$5,000; \$10,000

80/20 coinsurance applies on first \$10,000 after deductible

Coverage Options

This product offers a choice of 2 Coverage Options differing in their coinsurance levels: 80/20 and 100/0.

The following options are also available with each Coverage Option:

- 1) PPO Option: Two PPO options available; the Any Doc and Fully Steered PPO
- 2) Plus Option 1 (Rx)
- 3) Plus Option 2 (Supplemental Accident)
- 4) Term Life Option

Limitations and Exclusions

Limitations and Exclusions are detailed in the policy form.

Rate Guarantees

Rates are guaranteed not to change for the first twelve months of the policy.

Renewability

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

General Marketing Method

This product will be sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

Issue Age Limits

In order for an applicant to be considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

Applicability

The rates will apply to new business and subsequent renewal business.

Morbidity

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

Substandard Rate-Ups

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical:	rate-ups vary by condition and range from -10% to 400%
Occupation/Avocation:	rate-ups vary by occupation/avocation and range from 0% to 100%
Two-Adult Discount:	7% rate-down

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

Premium Modalization

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

Claim Reserves

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

Claim Liability Reserve

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

Trend Assumption

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Buck Consultants' Trend Survey, Oliver Wyman's Carrier Trend Report and Milliman's Health Cost Index.

Proposed Rate Increase

Future proposed rate increases will be applied to new business effective on or after the respective effective dates. For in-force business, the rate revisions will be applied to the renewal premium at the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

Based on the projected experience of our Celtic Basic, CeltiCare Preferred, and HSA blocks of business shown in Exhibits One, Two, and Three, an increase of 3% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. These include restrictions on rescissions (**2.1%**), guaranteed issue (**3.0%**) and pre-existing conditions limitations on insureds under age 19 (**0.4%**), new claims appeal and review guidelines (**0.5%**), coverage of preventive services with no cost sharing (**5.0%**), extended coverage of dependents to age 26 (**0.5%**), no lifetime or annual maximums on essential health benefits (**0.5%**). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 12%. We have added 12% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future. As more provisions of Health Care Reform are finalized, Celtic may have to amend the proposed rate increases sooner.

Record of Rate Changes

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

Asset Share Assumptions

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	4.5%
2	4.3%
3	4.1%
4	4.1%
5+	3.5%

Discount Rate: 1/1.045

Gender Distribution: 50% Male, 50% Female

Asset Share Assumptions (Continued)

Durational Increases:

<u>Policy Duration in months</u>	<u>Increase over New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

Estimated Average Annual Premium Per Policy

The following is a comparison of estimated average annual premium per policy:

CeltiCare Preferred 5.0

<u>Date</u>	<u>Nationwide</u>	<u>California</u>
Prior to 1/1/11	3,294	3,841
1/1/11 - 3/31/11	3,585	4,187
4/1/11 - 6/30/11	3,698	4,313
7/1/11 - 9/30/11	3,793	4,313
10/1/11 - 12/31/11	3,887	4,313

Future Anticipated Loss Ratio

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1,000. The anticipated lifetime loss ratio for this product prior to Health Care Reform is 70%.

Distribution of Business

The expected age distribution for this product is as follows:


<u>Age</u>	<u>Nation & California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	4%
20 - 24	17%
25 - 29	17%
30 - 34	13%
35 - 39	12%
40 - 44	12%
45 - 49	10%
50 - 54	4%
55 - 59	1%
60 - 64	1%

Contingency and Profit Margin

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.



Randall S. Jones, F.S.A., M.A.A.A.
Vice President, Actuary

2/22/11
Date

Celtic Insurance Company
CeltiCare Preferred 5.0 Health Plans
Form G5-555-00223
California

Medical Base Rates		
Age	Male	Female
0	74.54	74.54
1	73.86	73.86
2	73.94	73.94
3	73.52	73.52
4	73.68	73.68
5	67.73	67.73
6	64.38	64.38
7	64.24	64.24
8	64.09	64.09
9	63.77	63.77
10	64.00	64.00
11	64.02	64.02
12	64.23	64.23
13	64.31	64.31
14	64.67	64.67
15	64.93	64.93
16	65.17	65.17
17	64.94	64.94
18	70.16	70.16
19	69.95	69.95
20	70.57	70.57
21	70.84	70.84
22	70.89	70.89
23	70.99	70.99
24	70.97	70.97
25	72.21	72.21
26	73.66	73.66
27	75.13	75.13
28	77.40	77.40
29	80.21	80.21
30	84.84	84.84
31	89.99	89.99
32	95.10	95.10
33	100.02	100.02
34	104.28	104.28
35	108.60	108.60
36	113.32	113.32
37	118.09	118.09
38	122.93	122.93
39	128.38	128.38
40	133.71	133.71
41	138.87	138.87
42	144.03	144.03
43	150.16	150.16
44	156.59	156.59
45	163.74	163.74
46	170.07	170.07
47	175.80	175.80
48	182.16	182.16
49	188.31	188.31
50	194.07	194.07
51	200.45	200.45
52	207.27	207.27
53	216.96	216.96
54	227.76	227.76
55	238.03	238.03
56	248.82	248.82
57	259.85	259.85
58	272.11	272.11
59	285.22	285.22
60	297.56	297.56
61	311.09	311.09
62	324.45	324.45
63	337.56	337.56
64	351.27	351.27
65 +	649.85	649.85
Dependent Child Rate		
Per Child, up to 3	51.07	51.07

Sub-Standard Rate Ups	
Non-Smoker / Smoker	-7% / +7%
Occupational	0% to 100%
Medical	-10% to 100%
Child Medical	-10% to 400%

Plan Factors			
Coinurance	Deductible	Stop Loss	Factor
80/20	500	10,000	0.9820
80/20	1,000	10,000	0.8788
80/20	1,500	10,000	0.7630
80/20	2,500	10,000	0.6136
80/20	5,000	10,000	0.4908
80/20	10,000	10,000	0.4148
100/0	1,000	N/A	1.0968
100/0	1,500	N/A	0.9881
100/0	2,500	N/A	0.8128
100/0	5,000	N/A	0.5844
100/0	10,000	N/A	0.4625

Product Type Factors	
Type	Factor
Indemnity	1.4000
Any Doc PPO	1.1400
Fully Steered PPO	1.0000
Plus Option	1.3316

Individual Discount Factor		
Coverage Option	Adult Factor	Child Factor
Primary	1.00	1.00
Primary+Spouse	0.93	1.00
Primary+Child(ren)	1.00	1.00
Family	0.93	1.00

Modal Factors	
Billing Mode	Factor
Monthly	1.0
Quarterly	3.0

Duration Factors	
Policy Months	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Other Fees	
Billing Fee	\$8.00 per bill
One-Time Application Fee	\$25.00

Term Life Premium per \$1,000 of Coverage	
Age	Premium
0 - 4	0.30
5 - 17	0.20
18 - 29	0.28
30 - 34	0.32
35 - 39	0.44
40 - 44	0.64
45 - 49	0.92
50 - 54	1.36
55 - 59	2.00
60 - 64	2.96
65 - 69	4.64
70 - 74	7.24
75 - 79	11.76
80 - 84	18.32
85 - 89	28.08
90 - 94	39.88
95 - 99	73.20

Note:

The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

Celtic Insurance Company
CeltiCare Preferred 5.0 Health Plans
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California

Plus Option Base Rates

Age	Full Plus Option		Rx Card Only (5.0)	
	Male	Female	Male	Female
0	2.35	2.35	0.65	0.65
1	3.03	3.03	0.65	0.65
2	2.90	2.90	0.65	0.65
3	3.30	3.30	0.65	0.65
4	3.07	3.07	0.65	0.65
5	3.45	3.45	0.65	0.65
6	3.67	3.67	0.65	0.65
7	3.77	3.77	0.65	0.65
8	3.87	3.87	0.65	0.65
9	4.14	4.14	0.65	0.65
10	4.95	4.95	0.65	0.65
11	4.85	4.85	0.65	0.65
12	4.56	4.56	0.65	0.65
13	4.39	4.39	0.98	0.98
14	3.92	3.92	0.98	0.98
15	3.22	3.22	0.99	0.99
16	2.89	2.89	1.02	1.02
17	3.03	3.03	1.06	1.06
18	3.19	3.19	1.12	1.12
19	3.23	3.23	1.12	1.12
20	3.42	3.42	1.13	1.13
21	2.97	2.97	1.15	1.15
22	2.76	2.76	1.17	1.17
23	2.49	2.49	1.18	1.18
24	2.34	2.34	1.19	1.19
25	2.12	2.12	1.21	1.21
26	2.16	2.16	1.25	1.25
27	2.13	2.13	1.33	1.33
28	2.04	2.04	1.39	1.39
29	1.95	1.95	1.44	1.44
30	2.08	2.08	1.51	1.51
31	2.20	2.20	1.65	1.65
32	2.35	2.35	1.80	1.80
33	2.24	2.24	1.95	1.95
34	2.15	2.15	2.09	2.09
35	2.08	2.08	2.24	2.24
36	2.00	2.00	2.41	2.41
37	2.01	2.01	2.56	2.56
38	1.90	1.90	2.73	2.73
39	1.89	1.89	2.93	2.93
40	1.80	1.80	3.12	3.12
41	1.94	1.94	3.31	3.31
42	1.88	1.88	3.49	3.49
43	1.81	1.81	3.69	3.69
44	1.61	1.61	3.93	3.93
45	1.70	1.70	4.21	4.21
46	1.77	1.77	4.45	4.45
47	1.81	1.81	4.72	4.72
48	1.58	1.58	4.95	4.95
49	1.63	1.63	5.22	5.22
50	1.83	1.83	5.41	5.41
51	1.86	1.86	5.59	5.59
52	1.82	1.82	5.74	5.74
53	1.60	1.60	5.94	5.94
54	1.71	1.71	6.17	6.17
55	1.69	1.69	6.51	6.51
56	1.66	1.66	6.90	6.90
57	1.59	1.59	7.30	7.30
58	1.45	1.45	7.73	7.73
59	1.70	1.70	8.18	8.18
60	1.67	1.67	8.66	8.66
61	1.89	1.89	9.17	9.17
62	1.68	1.68	9.71	9.71
63	1.65	1.65	10.28	10.28
64	1.54	1.54	10.89	10.89
65 +	2.82	2.82	20.14	20.14
Dependent Child Rate				
Per Child, up to 3	1.93	1.93	1.42	1.42

For Each Covered Person:

Medical Premium=

(Medical Base Rate) x (1 + Smoker Factor)
x (Plan Factor) x (1 + Occupation Rate-Up)
x (1 + Medical Rate-Up) x (Product Type Factor)
x (Trend Factor*) x (Area Factor**)
x (Individual Discount Factor) x (Duration Factor)

Plus Option Premium=

(Plus Option Base Rate) x (1 + Occupation Rate-Up)
x (1 + Medical Rate-Up) x (Product Type Factor)
x (Trend Factor*) x (Area Factor**)
x (Individual Discount Factor) x (Duration Factor)

Total Rate per Person =

[Medical Premium + Plus Option Premium + Term Life Premium]

Total Billed Rate = Σ (Total Rate per Covered Person) * Modal Factor
+ Billing Fee

* see attached Trend Factor page

** see attached Area Factor page

Sample Premium Calculation:

Sample Case

Effective Date: 4/1/2011
Primary: Male, 33 years old, Smoker
Spouse: Female, 33 years old, Non-Smoker
Number of Children: 2
Plan: Fully Steered PPO, \$2,500 Deductible
80/20 Coinsurance, with Plus Option
Zip Code: 90001

Premium Calculation

Trend Factor: 2.402
Area Factor: 2.37
Product Type Factor: 1.000
Rx Card Type Factor: 1.3316
Plan Factor: 0.6136
Primary Smoker Rate-Up: 7%
Spouse Smoker Rate-Up: -7%
Med/Occupation Rate-Ups: 0 for the primary, spouse and children
Primary Discount Factor: 0.93
Spouse Discount Factor: 0.93
Children Discount Factor: 1.00
Medical Primary Insurance Factor: 1.00
Plus Primary Insurance Factor: 1.00

Primary Medical Premium = $100.02 \times (1 + (0.07)) \times 0.6136 \times (1 + 0.0) \times 1 \times 2.402 \times 2.37 \times 0.93 \times 1.00 =$ \$348.00

Spouse Medical Premium = $100.02 \times (1 + (-0.07)) \times 0.6136 \times (1 + 0.0) \times (1 + 0.0) \times 1 \times 2.402 \times 2.37 \times 0.93 =$ \$302.00

Children Medical Premium = $(51.07 \times 2) \times 0.6136 \times (1 + 0.0) \times (1 + 0.0) \times 1 \times 2.402 \times 2.37 \times 1 =$ \$357.00

Primary Plus Option Premium = $2.24 \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 2.402 \times 2.37 \times 0.93 \times 1.00 =$ \$16.00

Spouse Plus Option Premium = $2.24 \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 2.402 \times 2.37 \times 0.93 =$ \$16.00

Children Plus Option Premium = $(1.93 \times 2) \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 2.402 \times 2.37 \times 1 =$ \$29.00

Term Life Premium =

Total Premium = $(348.00 + 302.00 + 357.00) + (16.00 + 16.00 + 29.00) + 0.00$
= \$1068.00

Celtic Insurance Company
CeltiCare Preferred 5.0 Health Plans
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California Area Factors

3-Digit ZIP Code	CeltiCare Preferred 5.0 Area Factors			
	Indemnity	Any Doc PPO	Fully Steered PPO	Plus Option
900	2.37000	2.37000	2.37000	2.37000
901	2.34600	2.34600	2.34600	2.34600
902	2.37000	2.37000	2.37000	2.37000
903	2.24800	2.24800	2.24800	2.24800
904	2.24800	2.24800	2.24800	2.24800
905	2.24800	2.24800	2.24800	2.24800
906	2.11400	2.11400	2.11400	2.11400
907	2.09000	2.09000	2.09000	2.09000
908	2.10100	2.10100	2.10100	2.10100
909	2.11100	2.11100	2.11100	2.11100
910	2.11100	2.11100	2.11100	2.11100
911	2.10100	2.10100	2.10100	2.10100
912	2.02700	2.02700	2.02700	2.02700
913	2.02700	2.02700	2.02700	2.02700
914	2.11100	2.11100	2.11100	2.11100
915	2.09000	2.09000	2.09000	2.09000
916	2.11400	2.11400	2.11400	2.11400
917	1.89700	1.89700	1.89700	1.89700
918	2.16400	2.16400	2.16400	2.16400
919	1.97500	1.97500	1.97500	1.97500
920	1.98800	1.98800	1.98800	1.98800
921	1.95700	1.95700	1.95700	1.95700
922	1.86200	1.86200	1.86200	1.86200
923	1.86200	1.86200	1.86200	1.86200
924	1.84500	1.84500	1.84500	1.84500
925	1.93600	1.93600	1.93600	1.93600
926	2.15100	2.15100	2.15100	2.15100
927	2.02400	2.02400	2.02400	2.02400
928	2.02400	2.02400	2.02400	2.02400
929	2.15100	2.15100	2.15100	2.15100
930	1.82200	1.82200	1.82200	1.82200
931	1.94200	1.94200	1.94200	1.94200
932	1.53100	1.53100	1.53100	1.53100
933	1.53100	1.53100	1.53100	1.53100
934	1.95700	1.95700	1.95700	1.95700
935	1.53100	1.53100	1.53100	1.53100
936	1.41700	1.41700	1.41700	1.41700
937	1.41700	1.41700	1.41700	1.41700
938	1.41700	1.41700	1.41700	1.41700
939	1.82600	1.82600	1.82600	1.82600
940	2.01900	2.01900	2.01900	2.01900
941	2.33100	2.33100	2.33100	2.33100
942	2.14500	2.14500	2.14500	2.14500
943	2.14500	2.14500	2.14500	2.14500
944	1.94200	1.94200	1.94200	1.94200
945	2.14500	2.14500	2.14500	2.14500
946	2.35100	2.35100	2.35100	2.35100
947	2.36600	2.36600	2.36600	2.36600
948	2.05100	2.05100	2.05100	2.05100
949	2.14500	2.14500	2.14500	2.14500
950	1.94200	1.94200	1.94200	1.94200
951	1.91500	1.91500	1.91500	1.91500

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CeltiCare Preferred 5.0 Trend Factors

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
4/1/08	Initial	1.7056	Initial	1.7056
7/1/08	2.5%	1.7483	2.5%	1.7483
10/1/08	2.5%	1.7920	2.5%	1.7920
1/1/09	2.0%	1.8278	2.0%	1.8278
4/1/09	3.0%	1.8826	3.0%	1.8826
7/1/09	4.0%	1.9580	4.0%	1.9580
10/1/09	-	1.9580	-	1.9580
1/1/10	-	1.9580	-	1.9580
4/1/10	2.0%	1.9971	2.0%	1.9971
7/1/10	4.0%	2.0770	4.0%	2.0770
10/1/10	3.0%	2.1393	3.0%	2.1393
1/1/11	9.0%	2.3318	9.0%	2.3318
4/1/11	3.0%	2.4018	3.0%	2.4018
7/1/11	-	2.4018	3.0%	2.4739
10/1/11	-	2.4018	3.0%	2.5481

Exhibit One

Celtic Insurance Company
Form G5-555-0223
CeltiCare Preferred 5.0 Health Plan

Nationwide Experience Analysis

Current Nationwide all Open Blocks Combined Inforce (12/2010): 22,819

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	5,256	775,211	976,366	125.9%	40.0%
2006	36,124	5,547,507	2,362,666	42.6%	48.0%
2007	64,332	10,716,438	5,669,298	52.9%	53.4%
2008	93,060	16,108,099	8,220,276	51.0%	54.4%
2009	163,299	29,387,512	15,351,773	52.2%	55.1%
2010	154,386	29,787,570	17,306,531	58.1%	56.6%
Total	516,457	92,322,338	49,886,910	54.0%	54.7%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	38,024,716	22,442,551	59.0%	66.1%
201009 - 201003	Projected	45,130,437	29,371,718	65.1%	66.2%

Assumptions:

Annual Claim Cost Trend:	11.5%
Annual Discount Rate:	6.0%
Valuation Date:	12/31/2010
Proposed Nationwide Rate Increase:	
April 1, 2011:	3.0%
July 1, 2011:	3.0%
October 1, 2011:	3.0%
Health Care Reform Impact on Claims:	12.0%

NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.

Exhibit Two

Celtic Insurance Company Form G5-555-0223 CeltiCare Preferred 5.0 Health Plan

California Experience Analysis

Current California All Open Blocks Combined Inforce (12/2010):

265

Actual Premium and Claims Experience for All Open Blocks Combined :

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	29	2,688	-	-	42.4%
2006	343	44,967	3,908	8.7%	54.1%
2007	733	105,782	50,530	47.8%	61.4%
2008	1,075	171,735	102,996	60.0%	61.8%
2009	1,714	314,303	156,585	49.8%	61.2%
2010	1,697	338,489	132,700	39.2%	64.0%
	5,589	977,964	446,719	45.7%	61.9%

12-Month Experience (200910 - 201009) for All Open Blocks Combined:

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	449,530	201,378	44.8%	64.2%
201009 - 201003	Projected	537,720	263,755	49.1%	64.3%

Assumptions:

Annual Claim Cost Trend:	11.5%
Annual Discount Rate:	6.0%
Valuation Date:	12/31/2010
Proposed California Rate Increase:	
April 1, 2011:	3.0%
July 1, 2011:	0.0%
October 1, 2011:	0.0%
Health Care Reform Impact on Claims:	12.0%

NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

Exhibit Three

Celtic Insurance Company Form G5-555-0223 CeltiCare Preferred 5.0 Health Plan

California Experience Analysis

Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor

	(A)	(B)	(C)	$\min[1, (B)/(C)]$
	All Open Blocks Inforce (12/2010)	All Open Blocks EP (200910-201009)	Credibility Threshold	Credibility Factor*
California	265	449,530	3,000,000	15%
Nationwide	22,819	38,024,510		

* adjustment calculation for credibility factor is explained below.

Table Two: Future Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	50.1%	51.5%	52.9%	54.3%	52.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.780	0.801	0.822	0.845	0.812

Table Three: Future Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	271,032	278,335	285,839	293,550	282,189
Actual LR:	48.7%	50.0%	51.4%	52.7%	50.7%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.757	0.778	0.799	0.820	0.788

Table Four: Future Credible Projections at Current Statewide Volumes and Current Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	540,470	540,470	540,470	540,470	540,470
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	62.5%	64.2%	65.9%	67.7%	65.1%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.972	0.998	1.025	1.053	1.012

* adjustment calculation for credibility factor is explained below.

Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	556,601	556,601	556,601	556,601	556,601
Projected Claims:	337,733	346,833	356,184	365,793	351,635
Actual LR:	60.7%	62.3%	64.0%	65.7%	63.2%
Expected LR:	64.3%	64.3%	64.3%	64.3%	64.3%
Actual / Expected:	0.944	0.969	0.995	1.022	0.982

* adjustment calculation for credibility factor is explained below.

Assumptions:

See assumptions in Exhibit Two.

Credibility Adjusted Benefit Calculation

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits = $Z \cdot Ca + (1-Z) \cdot (Na/Ne) / (Sa/Se) \cdot Ca$

California Filing Requirements Effective January 1, 2011

The following is a list of the additional specific rate filing requirements pursuant to California Insurance Code 10181.3.

(a) (1) All health insurers shall file with the department all required rate information for individual and small group health insurance policies at least 60 days prior to implementing any rate change.

(2) For Individual health insurance policies, the filing shall be concurrent with the notice required under Section 10113.9

(3) For small group health insurance policies, the filing shall be concurrent with the notice required under Section 10199.1.

(b) An insurer shall disclose to the department all of the following for each individual and small group rate filing:

(1) Company name and contact information.

Celtic Insurance Company
Randall Jones, Vice President, Actuary, (312) 332-8576
233 S. Wacker Dr., Suite 700
Chicago, IL 60606
Rjones@celtic-net.com

(2) Number of policy forms covered by the filing.

See item (3) below for the 3 policy forms covered by this filing for the combined open blocks of business

(3) Policy form numbers covered by the filing.

The following are the 3 policy forms covered by this filing:

<u>Policy Forms</u>	<u>Products</u>
G5-544-00156	Celti Basic 1.0/2.1
G5-555-00223	CeltiCare Preferred 5.0 and HSA 3.0
G5-543-00145	HSA 2.0/2.1

(4) Product type, such as indemnity or preferred provider organization.

Celtic Basic 1.0/2.1 - G5-544-00156

This product offers a Fully Steered PPO plan.

CeltiCare Preferred 5.0 - G5-555-00223

This product offers Indemnity, Any Doc PPO and Fully Steered PPO plans.

HSA 2.0/2.1/3.0 - G5-543-00145 (HSA 2.0/2.1) and G5-555-00223 (HSA 3.0)

These products offer an Indemnity and Fully Steered PPO plans.

(5) Segment type.

Individual

(6) Type of insurer involved, such as for profit or not for profit.

Celtic Insurance is a for profit company.

(7) Whether the product are opened or closed.

This product is an open block of business.

(8) Enrollment in each policy and rating form.

Inforce data is as of 12/31/2010

<u>Policy Forms</u>	<u>Rider Forms</u>	<u>Products</u>	<u>Inforce Certs</u>
G5-544-00156	G5-591-00187	Celti Basic 1.0/2.1	159
G5-555-00223	G5-598-00224-CA	CeltiCare Preferred 5.0	68
G5-543-00145 and G5-555-00223	G5-592-00192-CA (HSA 2.0/2.1) and G5-598-00226 (HSA 3.0)	HSA 2.0/2.1/3.0	38

California Filing Requirements Effective January 1, 2011

(9) Insured months in each policy form.

			For 12-month period <u>Insured Months</u> <u>(10/2009- 09/2010)</u>
<u>Policy Forms</u>	<u>Rider Forms</u>	<u>Products</u>	
G5-544-00156	G5-591-00187	Celtic Basic 1.0/2.1	1,294
G5-555-00223	G5-598-00224-CA	CeltiCare Preferred 5.0	630
G5-543-00145 and G5-555-00223	G5-592-00192-CA (HSA 2.0/2.1) and G5-598-00226 (HSA 3.0)	HSA 2.0/2.1/3.0	268

(10) Annual rate.

The following is a comparison of estimated average annual premium per policy:

Celtic Basic 1.0/2.1 (G5-544-00156)			CeltiCare Pref 5.0 (G5-555-00223)	
Date	Nationwide	California	Nationwide	California
Prior to 1/1/11	2,066	2,691	3,294	3,841
1/1/11 - 3/31/11	2,247	2,933	3,585	4,187
4/1/11 - 6/30/11	2,315	3,021	3,698	4,313
7/1/11 - 9/30/11	2,374	3,021	3,793	4,313
10/1/11 - 12/31/11	2,435	3,021	3,887	4,313

HSA 2.0/2.1/3.0 (G5-543-00145 and G5-555-00223)		
Date	Nationwide	California
Prior to 1/1/11	2,365	1,984
1/1/11 - 3/31/11	2,574	2,163
4/1/11 - 6/30/11	2,655	2,228
7/1/11 - 9/30/11	2,722	2,228
10/1/11 - 12/31/11	2,789	2,228

(11) Total earned premiums in each policy form.

The Total 12-Month (200910 - 201009) earned premiums for statewide and nationwide for each policy forms are as follows and the totals are also reflected in Exhibits One and Two.

<u>Policy Forms</u>	<u>Products</u>	<u>California</u>	<u>Nationwide</u>
G5-544-00156	Celtic Basic 1.0/2.1	225,565	18,586,162
G5-555-00223	CeltiCare Preferred 5.0 and HSA 3.0	217,892	16,375,836
G5-543-00145	HSA 2.0/2.1	6,073	3,062,718
Total Earned Premium		449,530	38,024,716

(12) Total incurred claims in each policy form.

The Total 12-Month (200910 - 201009) incurred claims for statewide and nationwide for each policy forms are as follows and the totals are also reflected in Exhibits One and Two.

<u>Policy Forms</u>	<u>Products</u>	<u>California</u>	<u>Nationwide</u>
G5-544-00156	Celtic Basic 1.0/2.1	106,775	9,326,091
G5-555-00223	CeltiCare Preferred 5.0/5.1 and HSA 3.0	93,058	10,907,035
G5-543-00145	HSA 2.0/2.1	1,545	2,209,424
Total Incurred Claims		201,378	22,442,551

(13) Average rate increase initially requested.

The original submission to the state was on 2/1/2011, initially requesting a total of 9.3% for 2011. The following quarterly rate increases initially requested are as follows.

Effective Date	Rate Increase
April 1, 2011	3.0%
July 1, 2011	3.0%
October 1, 2011	3.0%

California Filing Requirements Effective January 1, 2011

(14) Review category: initial filing for new product, filing for existing product, or resubmission.

This is a resubmission of an informational rate revision filing for an existing product.

(15) Average rate increase and (16) Effective date of rate increase.

We are now requesting a rate increase of 3.0% for effective April 1, 2011

Effective Date	Rate Increase
April 1, 2011	3.0%

(17) Number of policyholders or insureds affected by each policy form.

The data below is as of 12/31/2010.

<u>Policy Forms</u>	<u>Products</u>	<u>Number of Policyholders</u>
G5-544-00156	Celtic Basic 1.0/2.1	159
G5-555-00223	CeltiCare Preferred 5.0 and HSA 3.0	104
G5-543-00145	HSA 2.0/2.1	2

(18) The insurer's overall annual medical trend factor assumptions in each rate filing for all benefits and by aggregate benefit category, including hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory and radiology. An insurer may provide aggregated additional data that demonstrates or reasonably estimates year-to-year cost increases in specific benefit categories in major geographic regions of the state. For purposes of this paragraph, "major geographic region" shall be defined by the department and shall include no more than nine regions.

Trend assumptions are discussed in the Trend Assumption section and shown in Exhibit Two. We used an annual medical trend assumption of 11.5%. The medical trend component is 9.35% and the insurance trend component is 2.15%.

An analysis of per policy per month claim costs for our open blocks is shown below. The blocks were chosen to avoid distortion of the average claim costs from our leaner benefit new products.

Celtic Insurance Company Trend Analysis - Open Blocks

<u>Year</u>	<u>Claims Cost per policy per month</u>	<u>Nationwide</u>	<u>Average Yearly Incr 2006 to Sept 2010</u>
		<u>Yearly Increase</u>	
2006	65.40		
2007	88.13	34.8%	
2008	88.33	0.2%	
2009	94.01	6.4%	12.9%
2010 Sep	112.10	19.2%	15.5%

This analysis supports a higher trend assumption than the 11.5% we are using. Because of the small size of our block we have supplemented our claims data with the results from Oliver Wyman's Carrier Trend Report for July 2011. That report shows an average carrier individual medical PPO trends of 10.95% and prescription drug trends of 10.95%. This weights to 10.95% for our combined medical and drug claims. Because of credibility issues with our data for the open blocks of business, we have weighted the Oliver Wyman trend at 73% and our experience trend at 27% to arrive at an 11.5% annual trend assumption. In addition, our annual trend assumptions are also based on various indices and published journals from Consumer Price Index, Buck Consultants' Trend Survey and Milliman Health Cost Index.

California Filing Requirements Effective January 1, 2011

(19) The amount of the projected trend attributable to the use of services, price inflation, or fees and risk for annual policy trends by aggregate benefit category, such as hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory, and radiology.

Based on the Milliman 2008 Health Cost Guidelines,

Below is the itemized trend component used in pricing:

<u>Medical and Rx Trend (Total)</u>	9.35%
Medical provider price increase	6.00%
Utilization changes	1.85%
Medical cost shifting	1.00%
Medical procedures and new technology	0.50%
<u>Insurance Trend (Total)</u>	2.15%
Deductible leveraging	2.15%
 Total Average Annualized Trend	 11.50%

(20) A comparison of claims cost and rate changes over time.

Below is a comparison of claims cost per member per month and yearly cost changes for Nationwide and California

NATIONWIDE - OPEN BLOCKS

Year	Inurred Claims	Exposure Months	Claims Cost per policy per month	Yearly Changes	Avg. Yearly Increase 2006 - Sept 2010
2005	976,366	5,256	185.77		
2006	2,362,666	36,124	65.40		
2007	5,669,298	64,332	88.13	34.8%	
2008	8,220,276	93,060	88.33	0.2%	
2009	15,351,773	163,299	94.01	6.4%	12.9%
2010 Sep	17,306,531	154,386	112.10	19.2%	15.5%

CALIFORNIA - OPEN BLOCKS

Year	Inurred Claims	Exposure Months	Claims Cost per policy per month	Yearly Changes	Avg. Yearly Increase 2006 - Sept 2010
2005	0	29	0.00		
2006	3,908	343	11.41		
2007	50,530	733	68.96		
2008	102,996	1,075	95.85	39.0%	
2009	156,585	1,714	91.37	-4.7%	100.1%
2010 Sep	132,700	1,697	78.21	-14.4%	67.1%

California Filing Requirements Effective January 1, 2011

(21) Any changes in insured cost-sharing over the prior year associated with the submitted rate filing.

The only cost-sharing benefit changes are due to the Health Care Reform requirements. Below are the Health Care Reform benefit (including cost-sharing) changes:

Coverage of preventive services with no cost sharing

Preventive Benefits are covered on a first dollar basis with no cost sharing:

a. Evidence-based items or services that have in effect a rating of 'A' or 'B' in the current recommendations of the United States Preventive Services Task Force

b. Immunizations that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with respect to the individual involved

I. Diphtheria, Pertussis and Tetanus

II. Anthrax

III. Measles, Mumps, Rubella and Varicella (Chickenpox)

IV. Hib

V. Hepatitis A

VI. Hepatitis B

VII. HPV

VIII. Influenza (H1N1)

IX. Influenza (Seasonal)

X. Japanese encephalitis

XI. Meningococcal disease

XII. Plague

XIII. Pneumococcal

XIV. Polio

XV. Rabies

XVI. Rotavirus

XVII. Smallpox

XVIII. Typhoid

XIX. Yellow fever

XX. Zoster

c. With respect to infants, children, and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration

d. With respect to women, such additional preventive care and screenings not described in paragraph (a.) as provided for in comprehensive guidelines supported by the Health Resources and Services Administration for purposes of this paragraph

e. For the purposes of this Act, and for the purposes of any other provision of law, the current recommendations of the United States Preventive Service Task Force regarding breast cancer screening, mammography, and prevention shall be considered the most current other than those issued in or around November 2009

No lifetime or annual maximums on essential health benefits

Celtic policies have an unlimited lifetime maximum. Mental & Nervous, transplants benefits are unlimited.

Pre-existing condition elimination riders removed on insureds under age 19

Celtic cannot decline children under 19. Elimination riders can not be used for new enrollees or existing enrollees.

Pursuant to California's regulation, Celtic may apply a rating adjustment to the child rate up to two times for health status during the enrollment periods and will apply a rating adjustment to the child rate of four times for health status outside the enrollment periods. This child rate may be subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application. The 20 percent surcharge applies for the 12-month period following the effective date of the child's coverage.

(22) Any changes in insured benefits over the prior year associated with the submitted rate filing.
See item 21 above.

(23) The certification described in subdivision (b) of Section 10181.6
Please see attached certification from an independent actuary included in this rate filing package.

(24) Any changes in administrative costs.

For the open blocks of business, the commission structure was reduced from 20/5 to 10/4.

California Filing Requirements Effective January 1, 2011

(25) Any other information required for rate review under PPACA.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. These include restrictions on rescissions (2.1%), guaranteed issue (3.0%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (5.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 12%. We have added 12% to the projected claims in deriving these requested rate increases.

(c) An insurer subject to subdivision (a) shall also disclose the following aggregate data for all rate filings under this section in the individual and small group health insurance markets:

(1) Number and percentage of rate filings reviewed by the following: (A) Plan year, (B) Segment Type, (C) Product type, (D) Number of policyholders, and (E) Number of covered lives affected.

Inforce data below is as of 12/31/2011.

Plan Year Product Group	Number of Policyholders	Number of PPO Inforce	Number of Covered Lives
2011 Closed Blocks Inforce	26	21	29
2011 Open Blocks Inforce	265	257	345

(2) The insurer's average rate increase by the following categories:

(A) Plan year, (B) Segment type and (C) Product type.

For the closed blocks of business, a rate increase of 8.0% for effective 1/1/2011 was taken and we are proposing a rate increase of 16.9% for effective 4/1/2011 in this filing.

Plan Year	Product Group	Average Annual Rate Increase in 2011	Proposed Average Rate Increase Eff 4/1/2011
2011	Closed Blocks	26.2%	16.9%

For the open blocks of business, a rate increase of 9% for 1/1/2011 was taken and we are proposing a rate increase of 3% for effective 4/1/2011 in this filing.

Plan Year	Product Group	Average Annual Rate Increase in 2011	Proposed Average Rate Increase Eff 4/1/2011
2011	Open Blocks	12.3%	3.0%

(3) Any cost containment and quality improvement efforts since the insurer's last rate filing for the same category of health benefit plan. To the extent possible, the insurer shall describe any significant new health care cost containment and quality improvement efforts and provide an estimate of potential savings together with an estimated cost or savings for the projection period.

None.

(d) A health insurer shall submit any other information required under PPACA. A health insurer shall also submit any other information required pursuant to any regulation adopted by the department to comply with this article.

Celtic is in compliance with I-SB 1163, as required by the State of California.

CALIFORNIA DOCUMENT SUBMISSION FORMSET

Reset Form

California Insurer Number: 1488-6 (NOT NAIC Number)		FOR DEPARTMENT USE ONLY			
Official Insurer Name: Celtic Insurance Company		Our File #		Fee Code:	
Submitter and Complete Mailing Address: Daniel Martinez 233 S. Wacker Dr Suite 700 Chicago, IL 60606		Reviewer:			
Submission Date: 1/31/2011		Dept Action Date:			
	Document Form Number	Doc Type (“Policy,” etc)	Document Coverage	Department Action	Fee
1	G5-544-00156 Celtic Basic	Actuarial Memorandum - Rates			
2	G5-555-00223 CeltiCare Preferred	Actuarial Memorandum - Rates			
3	G5-543-00145 (HSA 2.0/2.1)G5-555-00223(HSA 3.0)	Actuarial Memorandum - Rates			
4					
5					
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INSTRUCTIONS: Complete the part of the form to the left of the double vertical line. Enter one document to a numbered line. Use additional formsets if necessary. Be accurate - the copy of this form that we return to you will be your only record of our action on your submission.

THIS IS NOT A BILL - DO NOT PAY. YOU WILL RECEIVE A SEPARATE FILING FEE INVOICE SHORTLY; REMIT FEES ONLY WITH THAT INVOICE.

Total \$

Cont'd on ___ pages

DSF 1.35

**California Plain-Language
Rate Filing Description**
[for Web site posting, Health & Safety
Code 1385.07(d), Insurance Code 10181.7(d)]

Company Name:

Celtic Insurance Company

SERFF Tracking Number

CELT-127073284

Department File Number: (will be completed by Department)

1. Justification for any unreasonable rate increases.

(Include all information as to why the rate increase is justified. Attach supporting documentation to this PDF file)

The actual loss ratio we are projecting for 2011 for the Open Blocks with an HCR adjustment of 12% and the requested rate increase, is 63.2% (refer to Exhibit Three, Table Five, last column, Actual LR row). We estimate the active life reserve change to bring this to 70%.

Combining the open and closed blocks gives a loss ratio of 71.4%:

Closed Blocks: $72.4\% \times 369,530 = 267,540$

Open Blocks: $70.0\% \times 556,601 = 389,621$

$(267,540 + 389,621) / (369,530 + 556,601) = 71.4\%$

Note that we also have a small block of individual conversion policies that is expected to run at around a 150% loss ratio, but we have not included that in the numbers above.

Based on the number of lives we have in CA (374 lives at 12/2010), our CA Individual business is not credible, according to the HCR standard and therefore, it complies with the federal standard. Even using the credibility factors at 1,000 lives, we have a 10.5% Additive Factor ($8.3\% \times 1.269$) to the combined projected loss ratio above ($71\% + 10.5\% = 81.5\%$), higher than the 80%, adjusted down for 75% for taxes and quality improvement activities.

2) Overall annual medical trend factor assumptions for all benefits

Below is the itemized trend component used in pricing:

Medical and Rx Trend (Total) 9.35%
Medical provider price increase 6.00%
Utilization changes 1.85%
Medical cost shifting 1.00%
Medical procedures and new technology 0.50%

Insurance Trend (Total) 2.15%
Deductible leveraging 2.15%

Total Average Annualized Trend 11.50%

3) Actual Costs by Aggregate Benefit Category

Hospital Inpatient,	Dollar Cost: \$8,111
	Cost as Percentage of Medicare: N/A
Hospital Outpatient (including ER)	Dollar Cost: \$531
	Cost as Percentage of Medicare: N/A
Physician/other professional services	Dollar Cost: \$95
	Cost as Percentage of Medicare: N/A
Prescription Drug	Dollar Cost: \$32
	Cost as Percentage of Average Wholesale Price: N/A
Laboratory (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare: N/A
Radiology (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare: N/A

Other (describe)	Dollar Cost and Description: \$197 (average cost per preventive care visit)
------------------	---

4) Amount of Projected Trend, by Aggregate Benefit Category, Attributable to Use of Services, Price Inflation, Fees and Risk

Hospital Inpatient	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Hospital Outpatient (including ER)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Physician/other professional services	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Prescription Drug	Trend attributable to use of services: 2.35%

	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Laboratory (other than inpatient)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Radiology (other than inpatient)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Other (describe)	

5) Other Information

A large, empty rectangular box with a thin black border, intended for providing additional information or details related to the section header.

#630302v1

California Rate Filing Form
For Individual and Small Group Health Insurance
Rate Filings, Version 1

1) Company Name:

Celtic Insurance Company

2) Number of policy forms covered by the filing: 3

3) Policy form numbers covered by the filing:

G5-544-00156
G5-555-00223
G5-543-00145

4) Product types covered by the filing. Selected from the following:

<input type="radio"/>	HMO (Health Maintenance Organization)
<input type="radio"/>	PPO (Preferred Provider Organization)
<input type="radio"/>	EPO (Exclusive Provider Organization)
<input type="radio"/>	POS (Point of Service)
<input type="radio"/>	FFS (Fee for Service)
<input checked="" type="radio"/>	Other (describe) <u>Indemnity and PPO plans</u>

5) Segment type. One of the following:

<input type="radio"/>	Large Group
<input type="radio"/>	Small Group (2-50 employees)
<input checked="" type="radio"/>	Individual

Note: Large Group, Small Group, and Individual filings should not be combined within a single filing.

8) Enrollment:

Number of lives, including dependents, as of the end of the latest month for which the data has been compiled, covered by each product (identified by all marketing names used for each policy form covered by the filing).

(For new products, the number of lives shown should be “0”.)

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

9) Insured months in each policy form

Number of insured (or member) months for the experience period on which the rates were based. (Does not apply to rates for new products.)

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

10) Annual Rate

For each product included in the filing, show the current and proposed annual premium rates for all rating cells.

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

- 11) Total earned premium in each policy form for the experience period on which the rates are based. (Does not apply to rates for new products.)

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

- 12) Total dollar amount of incurred claims in each policy form for the experience period on which the rates are based. (Does not apply to rates for new products.)

If helpful to understanding the basis for the filed rate increases, the insurer may, but is not required to, disaggregate incurred claim data into the aggregate benefit categories listed in item 18 below. If you choose to disaggregate, please do so on a separate page attached to the PDF of this filing form, identifying this question number.

Policy form number	Total incurred claims
G5-544-00156	CA-106775, Nationwide-9326091
G5-555-00223	CA-93058, Nationwide-10907035
G5-543-00145	CA-1545, Nationwide-2209424

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

13) Average rate increase initially requested

The weighted average of the proposed rate increases included in the filing, weighting the increases by the number of covered lives for each product (per item 8, above). Rates for new products are not included in this calculation, as they have a weight of zero. (Does not apply to rates for new products.)

Policy Form Number	Marketing Name	Weighted Average
G5-544-00156	Celtic Basic 1.0/2.1	9.3%
G5-555-00223	CeltiCare Preferred 5.0	9.3%
G5-555-00223	HSA 3.0	9.3%
G5-543-00145	HSA 2.0/2.1	9.3%

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

14) Review category: One of the following:

<input type="radio"/>	Initial Filing for New Product
<input type="radio"/>	Filing for Existing Product
<input checked="" type="radio"/>	Resubmission

Resubmissions should be submitted through SERFF under the same state filing number and SERFF tracking number assigned to the original submission of this filing. Do not submit resubmissions as a new filing.

15) Average rate of increase

In those instances in which there is a revision to the rates requested after initial submission, the revision should be submitted as an amendment to the original submission of this filing under the rate/rule form tab. Also, in the case of a resubmission, update the information under the "company rate information" field under the "Rate/Rule Schedule" tab in SERFF. The average rate of increase is a weighted average, calculated as in item 13, above. (Does not apply to rates for new products.)

Policy Form Number	Marketing Name	Weighted Average
G5-544-00156	Celtic Basic 1.0/2.1	3%
G5-555-00223	CeltiCare Preferred 5.0	3%
G5-555-00223	HSA 3.0	3%
G5-543-00145	HSA 2.0/2.1	3%

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

16) Effective date of rate increase: 4/1/2011

The earliest anticipated date that the proposed rate increase, or new product rate, will take effect for a policyholder. (Does not apply to rates for new products.)

17) Number of policyholders or insureds affected by each policy form

Same as item 8, above. (Does not apply to rates for new products.)

18) Overall medical trend factor and trend factors by aggregate benefit category:

Overall Medical Trend Factor

“Overall” means the weighted average of trend factors used to determine rate increases included in the filing, weighting the factor for each aggregate benefit category by the amount of projected medical costs attributable to that category.

11.5%

Medical Trend Factor by Aggregate Benefit Category

The aggregate benefit categories are each of the following – hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than hospital inpatient), other (describe).

Hospital Inpatient	11.5%
Hospital Outpatient (including ER)	11.5%
Physician/other professional services	11.5%
Prescription Drug	11.5%
Laboratory (other than inpatient)	11.5%
Radiology (other than inpatient)	11.5%
Other (describe)	

Optional Medical Trend Factor by Aggregate Benefit Category by Geographic Region

The insurer may, but is not required to, aggregate additional data in major geographic regions of the state. If the insurer chooses to so aggregate, the major geographic regions of the state are: Northern California (consisting of Monterey, Kings, Tulare, and Inyo counties, and all counties to the north), and Southern California (consisting of San Luis Obispo, Kern, and San Bernardino counties, and all counties to the south).

	North	South
Hospital Inpatient		
Hospital Outpatient (including ER)		
Physician/other professional services		
Prescription Drug		
Laboratory (other than inpatient)		
Radiology (other than inpatient)		
Other (describe)		

19) Projected medical trend

Use the same aggregate benefit categories used in item 18 –hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than Hospital inpatient), other (describe). Furthermore, within each aggregate category quantify the sources of trend, i.e. actual-to-expected claim costs over the prior rating period, utilization of medical services, cost of medical services, plan design, risk factors, demographic factors, and administrative and other non-claim expenses.

Projected Medical Trend by Aggregate Benefit Category

Hospital Inpatient	11.5%
Hospital Outpatient (including ER)	11.5%
Physician/other professional services	11.5%
Prescription Drug	11.5%
Laboratory (other than inpatient)	11.5%
Radiology (other than inpatient)	11.5%
Other (describe)	

20) Comparison of claims cost and rate of changes over time

For each proposed rate increase, provide the projected annualized incurred claims cost per insured for the period covered by the proposed rate, the historical incurred claims cost per insured for the most recent 12 months of the experience period on which the rates were based, and, if available, the historical incurred claims cost per insured for the next two most recent 12 month periods. Also, compare the rate of change of claims costs over all of the projected and historical periods for which information is provided. Show all claim costs according to aggregate benefit category. (Does not apply to rates for new products.)

The projected annualized incurred claim cost per insured for the period covered by the proposed rate based on the 12-month period of 10/2009-09/2010 is \$1,925.01. (\$351,635 /182.667 exposure yrs).

Historical claim costs PMPM for Nationwide:

2006 - \$ 65.40

2007 - 88.13

2008 - 88.33

2009 - 94.04

21) Describe any changes in enrollee/insured cost-sharing, compared to the prior year, associated with the submitted rate filing, and quantify the impact of each change on each of the rates included in the filing. (Does not apply to rates for new products.)

The only cost-sharing benefit changes are due to the Health Care Reform requirements. Below are the Health Care Reform benefit (including cost-sharing) changes:

Coverage of preventive services with no cost sharing

Preventive Benefits are covered on a first dollar basis with no cost sharing:

- a. Evidence-based items or services that have in effect a rating of 'A' or 'B' in the current recommendations of the United States Preventive Services Task Force
- b. Immunizations that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with

22) Describe any changes in enrollee/insured benefits, compared to the prior year, associated with the submitted rate filing, and quantify the impact of each change on each of the rates included in the filing. (Does not apply to rates for new products.)

See item 21 above.

26) Blank form if additional spaces needed.

If additional space is needed to respond to a question, use the form below. Note the question number, and insert column headings as appropriate. If further space is needed, use PDF generating software to copy this page and insert the copy at the end of this document.

[illegible]



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USA

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www.milliman.com

June 03, 2011

Randall S. Jones, FSA, MAAA
Vice President and Actuary
Celtic Insurance Company
233 South Wacker Drive, Suite 700
Chicago, IL 60606-6393

RE: California Rate Filing – Open Block: Independent Actuarial Certification

Please find enclosed an Independent Actuarial Certification for Celtic's California rate filing on group discretionary trust policy forms G5-544-00156, G5-543-00145, G5-544-00223. This filing includes product options for these policy forms that are still available for sale to new business.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Margaret Chance'.

Margaret A. Chance, FSA, MAAA
Consulting Actuary

Copy: Jim O'Connor, Milliman
Dorothy Foerster, Celtic

MAC:jmf

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Actuarial Certification**Policy Forms G5-544-00156, G5-543-00145, G5-544-00223****QUALIFICATIONS**

I, Margaret A. Chance, am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This actuarial certification is prepared on behalf of Celtic Insurance Company (the "Company") to comply with California Insurance Code section 10181.6 (b) (2). It may not be appropriate to use for other purposes.

I am affiliated with Milliman, Inc. ("Milliman") an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer or a trade association of health plans or insurers.

SCOPE

This actuarial certification, prepared at the request of the Company, discusses its rate filings for the various health plan policies noted below. The proposed rates included in this filing will be effective as follows:

- New business enrolling on or after the rate effective date and
- Existing members on their next semi-annual renewal date on or after the rate effective date, subject to an initial 12-month rate guarantee for certificates in their first policy year.

The proposed rates represent an average premium increase, as indicated in the following table.

CELTIC INSURANCE COMPANY			
PROPOSED AVERAGE RATE INCREASES BY POLICY FORM			
Policy Form	Product Option	Avg. Rate Increase	Effective Date
G5-544-00156 ¹	CelticBasic 1.0/2.1	3.0%	04/01/2011
GS-543-00145 ²	HSA 2.0/2.1	3.0%	04/01/2011
GS-555-00223 ²	CeltiCare Preferred 5.0 and HSA 3.0	3.0%	04/01/2011

¹ Also includes rider form GS-591-00187

² Also includes rider forms GS-592-00192-CA, GS-598-00226, GS-598-00224-CA

These plans are group discretionary trust policy forms with certificates available for sale to individual members and their dependents. As these are group policy forms, the Company has historically followed the applicable regulations for large group business in California. I understand that in conjunction with this rate filing, the Company has been in discussions with the California Department of Insurance (CDI) as to the applicability of statutes and regulations related to Individual medical business for these plans. As requested by the Company, I prepared this actuarial certification based on the required criteria for Individual health plans.

This statement of opinion complies with the Actuarial Standards of Practice No. 8 and No. 41, promulgated by the Actuarial Standards Board.

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

RELIANCE

I have relied upon information and data provided by Mr. Randall S. Jones, FSA, MAAA, Vice President and Actuary at the Company. While I reviewed the information for reasonableness, I did not audit the underlying data for correctness. Attachment A contains Statement Regarding Accuracy and Completeness of the Underlying Data Sources provided to me as part of my review, and forms a part of this opinion.

ACTUARIAL SOUNDNESS OF RATES

In my opinion, the proposed premium rates are actuarially sound in the aggregate. The premium rates for business in California, including reinsurance recoveries, support expected health benefit costs, settlement costs, marketing and administrative expenses, and cost of required capital as provided by the Company.

DATA, ASSUMPTIONS, AND METHODOLOGY

Data and Historical Experience

Information and data received from the Company and used in my review of the rate filings included historical premiums, incurred claims, and number of certificates in force for each policy form for both nationwide and for California only. We also received a summary of prior rate increases on each form, as well as current premium rate sheets and those including the proposed new rates for each policy form and product option.

Proposed Rate Increase Development and Methodology

The proposed rate increase for this block of business was developed on a nationwide basis, with adjustments for California experience, as appropriate. Attachment B provides a summary of historical and projected experience, with and without the proposed rate increase, illustrating the development and reasonability of proposed increase in California.

Assumptions

Assumptions used in the development of projected values and proposed rates were reviewed for reasonability. Assumptions were disclosed in the filing memoranda and materials submitted to the Department of Insurance by the Company. Please refer to the "Testing Procedures" section of this memorandum for additional detail regarding my review of the rate development and underlying assumptions and data.

Premium Rating Algorithms and Rate Factors

A complete description of the rating algorithm for each policy form is provided in the actuarial memoranda submitted by the Company in this rate filing. Only the trend factors included in the rating algorithm are proposed to be changed. No other modifications to rating factors are proposed.

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

REASONABILITY OF RATE INCREASES

In my opinion, the proposed premium rate increases are reasonable. This opinion is based on my consideration of the required factors, as outlined in Section A of the SB 1163:2 Guidance, entitled "Unreasonable Rate Increases." The following provides a summary of the items I reviewed regarding each of these factors, and its use in forming my opinion of this rate increase as reasonable.

1. Relationship of the projected aggregate medical loss ratio to the federal medical loss ratio standard.

As outlined in 45 C.F.R. Section 158.210, the minimum medical loss ratio standard for individual health insurance, after accounting for allowable adjustments, is 80%. This standard is applicable in aggregate to an issuer's entire individual medical line of business within the state, as discussed in 45 C.F.R. Section 158.211.

Per 45 C.F.R. Section 158.230, an issuer's experience is considered to be non-credible if it is based on experience of less than 1,000 life years. Non-credible experience is presumed to meet the minimum loss ratio standards outlined in the federal regulation. Since the Company's volume of business in California in 2010 was only 359 lives, it does not exceed this threshold, and therefore the block of business is presumed to meet the federal loss ratio standard.

I understand that the Company is considering the implementation of active life reserves (ALR) with this business. In addition, though the credibility threshold in the federal standard has not been met, the Company has compared estimated medical loss ratio calculations for its Individual business to the federal standard, adjusted for ALR considerations and maximum allowable credibility adjustments. I have not participated in discussions of, nor reviewed any work related to these considerations of ALR and have not used these estimates in preparing my opinion regarding the reasonability of the proposed rate increase.

2. Assumptions on which the rate increase is based are supported by substantial evidence.

The Company uses a combination of historical experience and industry data to develop assumptions used to project anticipated experience and proposed rate levels. The use of industry sources, as well as nationwide data, is reasonable given the size of the block of business in California. The Company's use of historical data as available is appropriate given the credibility of the block of business. The proposed rate increases are less than expected trend for products of this type based on both Company nationwide experience and industry expectations.

3. The choice of assumptions on or combination of assumptions on which the rate increase is based is reasonable.

Additional information regarding the testing of assumptions and their reasonability can be found in this certification.

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

4. *The documentation provided to the CDI in connection with the filed rate increase is adequate in order to determine the reasonableness of the proposed rate increase.*

The documentation provided in the rate filing provides adequate information to determine the reasonability of the proposed rate increase. To the extent that additional clarification was needed for unclear items, the Company was able to provide this upon request. This information has been incorporated into my certification and its supporting documentation, as appropriate.

5. *The proposed rates result in rates between insureds within similar risk categories that are permissible under applicable California law, and the premium differences correspond to differences in expected claims costs between allowable risk classes.*
6. *The proposed rate increases are justified by credible experience data.*

The Company's California only business experience data is not fully credible. The proposed rate increase was developed based on a combination of nationwide and California historical experience and industry data. Industry data upon which trend assumptions were based is presumed to be credible.

Based on the credibility standards outlined in 45 C.F.R. Section 158.230, the amount of credibility, if any, assigned to California experience, is a debatable assumption. As such, I tested the impact of using only Nationwide experience in the premium rate development. Based on this testing, I find that the proposed rate increase continues to be justified. Additional details can be found in the "Testing Procedures" section below.

7. *The Company's rate of return, evaluated on a return-on-equity basis, for the prior three years, and anticipated rate of return for the following year, taking into account investment income.*

The rate of return for the Company in total for the past three years is as follows:

Year	Celtic Only	Centene Corp.
2008	13.2%	3.1%
2009	11.1%	0.9%
2010	3.6%	15.6%

The anticipated rate of return for 2011 is 15.6% for Celtic and 13.1 – 13.7% for Centene.

The calculation of the rate of return is based on post-tax net income divided by the average capital and surplus of the Company.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

8. *The company's employee and executive compensation*

The employee and executive compensation is part of the overall administrative expense assumed in the premium development. I did not review the compensation levels of the staff or executives and

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

offer no opinion on the appropriateness of the compensation levels since executive compensation levels are beyond the scope of my expertise.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

9. The relationship of the proposed rate increases to the rate of medical cost inflation, as reported by the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers Medical Care Cost Inflation Index.

The proposed 3.0% premium rate increase is less than the medical care component of the CPI for 2010 of 3.4%.

While the proposed rate increase is less than the medical costs index, material differences between the two measures should be noted as it relates to the development of premium rates and the reasonability of proposed rate increases. The medical component of the CPI measure prices inflation at the retail level. That is, it measures the prices paid for a fixed market basket of medical goods and services.

The medical CPI is a retrospective measure and does not account for expected future spending, which is the basis for premium rate setting. The following are examples of factors that will impact expected future spending that are not included in the CPI measure:

- Increased per capita utilization of services
- Cost for new technologies
- Changes in provider practice patterns or the intensity of the service being provided
- Changes in enrollment mix
- Changes in state law governing health insurance
- Adverse selection
- Deductible leveraging effect
- Changes in provider mix and negotiated provider payment arrangement

Assumed trend used in the premium development more accurately measures expected increases in future claim costs for this block of business.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

10. The cumulative impact of the filed rate in conjunction with prior increases

The rating methodology incorporates all historical rate actions to date into the experience for use as a basis for developing the proposed rate increase. As such, the proposed rates were developed with the appropriate considerations for historical rate increases and are therefore considered to be reasonable.

11. The insurer's surplus condition and dividend history.

The capital and surplus levels held by the Company over the past three years and dividends paid are the following:

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

Year	Capital & Surplus	Dividends Paid
2008	\$22,378,227	\$31,411,000
2009	\$19,796,821	\$ 1,005,921
2010	\$20,715,222	\$ 0

Note that the Company was acquired by Centene during 2008, the settlement of which resulted in the dividend paid during that year.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

12. Distribution of rate increases across policyholders

The proposed rate increase is to be implemented uniformly among all policyholders. Consequently, it is not considered to be overly burdensome to any one group. To the extent that any one policyholder has a rate change due to existing rating components (e.g. attained age), these factors are applied equitably to all policyholders within the same classes, and there has been no proposed change in these rating factors.

13. The nature and amounts of transactions between the filing insurer and affiliates over the prior 3 years.

Celtic was acquired in 2008 by Centene Corporation. The dividends paid by the Company over the past 3 years are shown in the table above.

This business is impacted by certain management and service contracts with affiliates as indicated in Schedule Y of the Company's annual statements. The amounts of these transactions over the past three years are shown in the following table.

Transactions with Affiliates*			
(\$000 omitted)			
Transaction Type	2008	2009	2010
Dividends	\$ (31,411)	\$ (4,700)	\$ 0
Capital Contributions	\$ 0	\$ 0	\$ 0
Income Related to Undertakings with Affiliates	\$ 14,236	\$ 0	\$ 0
Mgmt Agreements / Service Contracts	\$ (14,236)	\$ (13,899)	\$ (15,618)
Reinsurance Income /(Disbursements)	\$ 0	\$ 78	\$ 71
Reinsurance Recoverable (Payable)	\$ 0	\$ 0	\$ 0

* Schedule Y of the Annual Statements

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

14. Compliance with California Code of Regulations Title 10, Section 2222.12 (CCR)

Section 2222.12 of the CCCR requires that for rate revisions on Individual medical business, each of the following requirements are met:

- The lifetime loss ratio is not less than 70%
- The anticipated loss ratio over the future period is not less than 70%
- The insurer's projected medical loss ratio in the individual market, calculated using the method described in 45 C.F.R. §§ 158.220-158.232, is not less than 80%

As noted above, given that these are group discretionary trust policy forms, it is unclear whether the requirements of this regulation are necessarily applicable. However, as directed by the Company based on ongoing discussions with the CDI, as a basis for my testing, I have used the loss ratio standards outlined in this regulation in preparing this actuarial certification for the proposed rates.

Our analysis indicates that these requirements are substantially met when considering the non-credibility of the experience data. Additional discussion regarding our testing of this can be found in the "Testing Procedures" section.

TESTING PROCEDURES

Under my direction, we reviewed the following items from the rate filing

Development of Trend Assumption

Celtic developed trend assumptions based on a few different sources:

- Historical experience
- Industry surveys and the Consumer Price Index
- Milliman Health Cost Guidelines

Trend for these products was developed at an aggregate level, which is reasonable for a block of business of this size. The availability of credible data at the service category level is minimal.

Celtic used industry data to estimate components of assumed aggregate trend levels such as insurance trend, price increases, and utilization. This is reasonable given that the Company does not have credible experience at this refined level to perform studies. The proposed rate development is based on aggregate trend, which is reasonable.

Celtic did not present trend variations by service category in this rate filing. While we believe that trend variations will occur by service category, we do not believe that it is unreasonable not to have utilized these types of splits in the rate development. Any segmentation done by Celtic would have been based on general relationships by service category, based on industry studies, as opposed to actual experience, since actual experience is not available with any credible volume.

I reviewed PCPM claim data and was able to reconcile the claims trend calculations as presented in the rate filing. In addition, I performed alternate trend calculations to assess the reasonability of the assumptions used.

Actuarial Certification

Policy Forms G5-544-00156, G5-543-00145, G5-544-00223

Based on my review and experience with Individual Medical products, the trend assumption of 11.5% used in this rate filing appears to be reasonable.

Historical Experience and Development of Projected Experience

I reviewed historical experience provided by the Company and how it was used to develop projected claims and revenue at current and proposed rate levels. This review work is summarized in Attachment A.

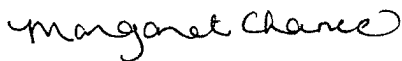
Proposed Rate Increase Compared to Projected and Target Loss Ratios

I reviewed the proposed rate increase and resulting projected loss ratios relative to target loss ratios. This review work is summarized in Attachment A.

Projected Lifetime and Anticipated Loss Ratios and Regulatory Requirements

As noted above, given that these are group discretionary trust policy forms, it is unclear that the requirements of Section 2222.12 of the CCCR are necessarily applicable. However, as directed by the Company based on ongoing discussions with the CDI, as a basis for my testing, I have used the loss ratio standards outlined in this regulation in preparing this actuarial certification for the proposed rates.

I performed an independent calculation of the projected lifetime and anticipated future loss ratio values, with consideration for the limited credibility of the experience data. Lifetime loss ratios were based on historical experience back to 2005, as provided by the Company. Our findings indicate that the 70% loss ratio standard for both lifetime and future loss ratio requirements are met.



Margaret A. Chance, FSA, MAAA

Consulting Actuary

June 3, 2011

Date

Attachment A

Statement Regarding Accuracy and Completeness of Underlying Data Sources



Celtic Insurance Company

Sears Tower
233 South Wacker Drive, Suite 700
Chicago, Illinois 60606-6393
312-332-5401

Celtic Life Insurance Company

California Rate Filing – Independent Actuarial Certification

Statement Regarding Accuracy and Completeness of the Underlying Data Sources

I, Randall S. Jones, FSA, MAAA, of Celtic Insurance Company, hereby affirm that the relevant information and data prepared for and submitted to Margaret A. Chance, FSA, MAAA, was prepared under my direction and, to the best of my knowledge and belief, is substantially accurate and complete.

A handwritten signature of Randall S. Jones in cursive script, written over a horizontal line.

Randall, S. Jones, FSA, MAAA

Vice President, Actuary

A handwritten date "5/19/11" in cursive script, written over a horizontal line.

Date

Attachment B
Celtic Life Insurance Company
Rate Development Projection - Open Block

The following provides a summary of the rate increase projection information, as provided by Celtic. This information can also be found in Exhibits 1 - 3 of the actuarial memoranda. Projected values are done by Celtic using a seriatim-base projection system.

California Experience Only

California Experience Only										Credibility Adjusted Experience			Proposed RI		3.0%	
Year										Earned Prem	Earned Prem	Loss Ratio	Loss Ratio	Loss Ratio	A-to-E	A-to-E
w/o Rate Inc*										w/o Rate Inc	w/ Rate Inc	w/o Rate Inc	w/o Rate Inc	w/ Rate Inc	w/ Rate Inc	w/ Rate Inc
Exhibit 1 - Historical (Inforce Only)										Incurred Claims	Expected	A-to-E				
										Loss Ratio w/o Rate Inc						
2005									\$0	42.4%	0.000					
2006									44,967	54.1%	0.161					
2007									105,782	61.4%	0.778					
2008									171,735	60.0%	0.970					
2009									314,303	61.2%	0.814					
01 - 09/10									338,489	64.0%	0.613					
Total									\$977,964	61.9%	0.738					
Rate Development/Projection																
10/09 - 09/10									\$449,530	64.2%	0.698					
4Q10 - 1Q11									\$537,720	64.3%	0.763					
									\$537,720			\$328,502			0.950	
2Q11									\$540,470	64.3%	0.780					
3Q11									\$540,470	64.3%	0.801				0.944	
4Q11									\$540,470	64.3%	0.823				0.969	
1Q12									\$540,470	64.3%	0.845				0.995	
									\$540,470	64.3%		\$365,793			1.022	
Average									\$540,470	64.3%	0.812					
Total									\$2,161,880	64.3%	0.812				0.983	
									\$2,161,880			\$2,226,404			0.983	

Exhibit 1 - Nationwide Experience

Credibility Adjustment

	Earned Prem	Inc Claims	Loss Ratio	Expected	A-to-E	Credibility Adjustment		
						A-to-E	CA	NW
2005	\$775,211	\$976,366	125.9%	40.0%	3.149		0.763	0.983
2006	5,547,507	2,362,666	42.6%	48.0%	0.887		15.0%	85.0%
2007	10,716,438	5,669,298	52.9%	53.4%	0.991			
2008	16,108,099	8,220,276	51.0%	54.4%	0.938			
2009	29,387,512	15,351,773	52.2%	55.1%	0.948			
01 - 09/10	29,787,570	17,306,531	58.1%	56.6%	1.026			
Total	\$92,322,338	\$49,886,910	54.0%	54.7%	0.988			
Historical (10/09 - 9/10)	\$38,024,716	\$22,442,551	59.0%	66.1%	0.893			
Projected (10/10 - 03/11)	\$45,130,437	\$29,371,718	65.1%	66.2%	0.983			